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United Nations Relief and Works Agency for Palestine Refugees in the Near East

Financial report and audited financial statements

for the biennium ended 31 December 2005 and

Report of the Board of Auditors

General Assembly
Official Records
Sixty-first Session
Supplement No. 5C (A/61/5/Add.3)

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Note

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Chapter I

Financial report for the biennium ended 31 December 2005

A. Introduction

1. The United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) was established by the General Assembly in its resolution 302 (IV) of 8 December 1949 as a separate entity within the United Nations system, and it began operations on 1 May 1950. The mandate of UNRWA has been renewed repeatedly, most recently by Assembly resolution 59/117 of 10 December 2004, when it was extended until 30 June 2008.

2. UNRWA reports directly to the General Assembly, to which the Commissioner-General submits an annual report. A general review of UNRWA programmes and activities is undertaken on an annual basis by the 10-member Advisory Commission, which includes representatives of the Agency's donors and host authorities. The Advisory Commission has a working relationship with the Palestine Liberation Organization.

B. Strategic goals of the United Nations Relief and Works Agency for Palestine Refugees in the Near East

3. The Agency's goal is to promote the human development of Palestine refugees and strengthen the self-reliance of the refugee community.

4. In the foreseeable future, UNRWA will continue to provide basic education, health, and relief and social services to more than 4 million registered Palestine refugees living in Jordan, Lebanon, the Syrian Arab Republic, the West Bank and the Gaza Strip.

5. The Agency intends to develop a comprehensive approach to camp development that will integrate housing and infrastructure interventions with health, education, microfinance and microenterprise, and community services within a human development framework.

6. The education programme will provide Palestine refugee children and youth with learning opportunities, knowledge, skills and experiences that are consistent in quality, standards and norms with those offered by the host authorities within the overall framework of the principles of the United Nations.

7. The health programme will continue to focus on fostering quantitative and qualitative service standards consistent with the United Nations Millennium Development Goals and public sector standards and improving environmental conditions in camps, with a special focus on preventive primary health care.

8. The relief and social services programme will give high priority to providing assistance to meet the minimum needs of the most vulnerable refugees.

9. The microfinance and microenterprise programme will be funded primarily from revenues generated from the programme's credit operations, but also from donor contributions. The programme will focus on implementing outreach, product development and capacity-building through a range of business, consumer and housing loan products that will improve the enterprise, household and housing

conditions of Palestine refugees and other groups in proximate poor in four of the Agency's five areas of operation.

10. The Agency will continue to provide emergency assistance to Palestine refugees in situations of acute distress.

11. Capital improvements and associated recurrent costs in respect of Agency facilities and camp infrastructure, as well as other major developments, including the Palestine Refugee Records Project, will continue to be provided for under the project budget.

12. The Agency will continue to create and enhance capacity-building opportunities for staff by providing the necessary developmental, leadership and management capacities to deliver and manage a quality service that is both innovative and responsive.

13. The Agency will continue to promote gender equality and empower women through all of its programmes.

C. Strategic planning framework

14. Working within the parameters of its mandate, UNRWA has developed its own strategic plan, widely known as the medium-term plan for the period 2005-2009. The medium-term plan articulates the Agency's desire to take advantage of technological advances across sectors, consolidate its achievements and better serve the long-term interests of Palestine refugees. This refocusing of direction is necessary to help prepare Palestine refugees to contribute to and take advantage of, any positive changes that may be realized in the region over the next several years. The planning framework is aimed at ensuring that all Palestinians derive maximum benefit from the Agency's legacy — a legacy that should include the continuation of human development trends that have been set in motion by the Agency's work since its early years.

D. Partnership with other agencies

15. UNRWA enjoys close cooperation and long-standing partnerships with a number of United Nations organizations, including the Joint United Nations Programme on HIV/AIDS, the United Nations Development Programme, the United Nations Educational, Scientific and Cultural Organization, the United Nations Population Fund, the United Nations Human Settlements Programme (UN-Habitat), the United Nations High Commissioner for Refugees, the World Food Programme, the United Nations Children's Fund and the World Health Organization. It participates actively in multilateral aid coordination structures for the occupied Palestinian territory and collaborates with the League of Arab States. As UNRWA partnership strategies have proved highly successful, programme departments have maintained and strengthened existing partnership practices in the planning while at the same time actively seeking opportunities to build new partnerships. With a view to contributing to civil society, priority is given to exploring partnerships with established local non-governmental organizations. To minimize duplication of services, particular efforts are being made to develop cooperative arrangements with alternative complementary service providers, based on comparative advantage.

16. Developments in the areas of governance and stakeholder relations affect donor and host country support, and they thus have important implications for the achievement of UNRWA goals. As underlined in the conference held in Geneva, an

important priority is to develop a tripartite (host/donor/UNRWA) approach as a tool for increasing donor responsiveness and creating synergies with other service providers. Productive synergies with other service providers will help demonstrate to donors that the Agency is capable of combining its strengths with those of other competent actors to maximize efficiency and optimize service outcomes for its beneficiaries.

17. The Agency recognizes that its governance processes do not as yet fulfil their potential as mechanisms for information-sharing, substantive policy guidance and mutual accountability of UNRWA and its stakeholders. The Agency is committed to working initially to identify a reform formula that allows for substantive discussion on concrete policy issues, while respecting the imperatives of the Agency's mandate. The implementation of the Agency's planned programme of work will benefit from a continuing multi-level dialogue with all partners and stakeholders.

F. External factors

18. UNRWA planning is complicated by uncertainty surrounding the Middle East peace process. Should peace talks progress, the Agency may be asked to assume new, temporary tasks as required by a peace settlement. However, should conflict persist, military operations, security issues, deteriorating economic conditions for the refugees and restrictions on the flow of goods, services and individuals will continue to affect the work of UNRWA.

19. UNRWA operates in a turbulent region buffeted by the Arab-Israeli conflict and its consequences in terms of episodes of violence and a worsening socio-economic situation. Emergency situations, especially in the Gaza Strip and the West Bank, impose heavy operational and financial burdens on the Agency, threatening the sustainability and quality of UNRWA services and necessitating emergency appeals, which compete with fund-raising for the regular budget.

20. Uncertainty exists as to the economic impact of the planned Israeli disengagement from the Gaza Strip and some parts of the West Bank. Contingency planning for the disengagement includes the pre-positioning of food and other supplies for distribution, and preparation for medical emergencies that might arise during the disengagement process. UNRWA, in close cooperation with the Palestinian Authority, is preparing for major activities in the fields of education and infrastructure development, to be implemented upon completion of disengagement and once supplementary funding to that end is secured.

21. In the West Bank, the communities affected by the wall/fence have increasing needs, as access to basic services is more and more restricted. By adapting its services, UNRWA has been working to meet the growing needs of these communities. The wall/fence around Jerusalem is having a particular impact on UNRWA operations, as even access to duty stations for staff has become a serious problem. The conflict in the Gaza Strip and the West Bank has also disrupted the Agency's ability to deliver its services, has adversely affected the safety and security of UNRWA staff and has resulted in significant additional expenditure to counteract obstacles imposed by the Israeli authorities.

22. Staff living and working under conditions of extreme stress in the Gaza Strip and the West Bank frequently suffer from fatigue and burnout, making it increasingly difficult to produce quality results.

23. Obstacles to UNRWA operations include the imposition of closures and restrictions on humanitarian access in the West Bank and the Gaza Strip, where some 48 per cent of the Agency's regular budget is spent. In addition, the Agency has incurred $4.5 million in excess storage, demurrage and transport charges due to delays in moving goods containers through the Karni crossing into and out of the Gaza Strip in the year ending 30 June 2005.

24. The UNRWA budget, funded almost entirely by voluntary contributions (in cash and in kind), is subject to uncertainties in the timing and value of funding receipts. This limits the ability of the Agency to plan and implement programmes and project activities. Although UNRWA expenditure is incurred mainly in United States dollars, 63 per cent of the income is received in non-United States dollar currencies, thus exposing the Agency to the risks of currency fluctuations.

25. Worsening socio-economic conditions and increased rates of unemployment in some of the Agency's areas of operation result in, inter alia, larger numbers of school dropouts and increased demands on medical care services, compromising community participation and causing a breakdown in cost-sharing systems.

F. Social accounting, risk management, performance evaluation, disaster recovery plan and internal controls

Social accounting

26. Social accounting plays an important role in defining the goals of the Agency and increasingly in mediating the relationships between the Agency, society and the environment within which it operates. Social accounting within the Agency is recognized and stakeholder welfare is reported on. The stakeholders are the refugees it serves, the employees, the donor community and the host Governments of the areas of operations. Deliberate policies of the Agency are meant to demonstrate the importance of social and ethical responsibilities enshrined in its mission and objectives. The implementation of social responsibility is achieved by recognizing needs, taking care of the environment in which the Agency operates and ensuring that it is culturally friendly and acceptable to the local community and the host Government. The Agency's social responsibility is further demonstrated by its recognition of the vast majority of the workforce as belonging to the area staff category and providing for their needs to the largest extent possible during and after their employment with the Agency. Special reference should be made to the Agency's specific programmes and operations that address various social responsibilities. Their objectives can be summarized as follows:

(a) To foster and promote awareness and understanding relating to human rights, conflict resolution and tolerance;

(b) To contribute to the process of establishing system-wide programmes addressing gender mainstreaming, child disabilities, psychosocial health and life-skills-based education within system-wide strategies;

(c) To improve the access of refugee population to essential health services by implementing affordable and equitable hospitalization policies, adjusting the imbalance in financial allocations among fields and achieving cost-efficiency gains through the rationalization of referral practices;

(d) To improve environmental health conditions in refugee camps;

(e) To improve the general social well-being of the refugee population by providing, in addition to the above, various welfare services, such as psychological counselling and sports activities.

Risk management

27. The Agency has a broad spectrum of risks associated with its existence and operations. These fall mainly in the broad categories of operational, environmental and financial risks. The management of risks is aimed at reducing the Agency's exposure to various forms of losses and, more critically, its failure to deliver services to the Palestine refugees in the areas of education, health, and relief and social services.

28. Operational risk refers mainly to the exposure to the risk of failing to deliver the services for which, according to its mandate, the Agency exists. This risk is managed through proper planning, control and performance reviews and evaluations in the Agency's main areas of operation (education, health and relief and social services).

29. Environmental risk is the inherent risk associated with the volatile nature of the environment in which the Agency operates. This risk is managed through recognition of the potential danger and political and security concerns posed by the conflicts in the greater Middle East, particularly in areas where the Agency operates: Jordan, the Syrian Arab Republic, Lebanon, the West Bank and the Gaza Strip. The security alerts are set at the appropriate levels, and all risk-mitigating elements are installed and monitored on an ongoing basis.

30. The Agency is prone to exposure to various forms of financial risk, the biggest of which is the risk of failure to have enough financial resources for planned objectives and activities. The source of funding for the operations to meet the objectives of the Agency and the needs of refugees is predominantly the donor community. The uncertainty surrounding the timing and actual amounts of voluntary contributions also poses some financial risk when it comes to planning. This risk is managed in the best way possible by considering the available information and providing for inflows in the most prudent manner. Financial risk can be extended to include foreign currency risk, since a good portion of contributions are in currencies other than the Agency's reporting currency, the United States dollar.

Performance evaluation

31. The process of performance evaluation starts with the strategic planning framework. This framework addresses four main objectives:

(a) Achieve parity of UNRWA services with host authority and international standards;

(b) Address unmet needs and the needs of the most vulnerable refugees;

(c) Maximize the economic potential of the refugees;

(d) Build capacity within UNRWA.

These objectives represent principal tracks along which the Agency directs its efforts to improve living conditions for the Palestine refugees and to promote their self-reliance and human development. Performance criteria are necessary to monitor the management of the Agency's health, education, and relief and social services

facilities. Indicators of achievement are benchmarked to international standards and host authority services, and by reference to beneficiaries' satisfaction levels and perceptions regarding the quality of UNRWA services.

Disaster recovery plan

32. The disaster recovery plan is meant to describe how the Agency is to deal with potential disaster, which is an unforeseen event that makes the continuation of normal functions impossible. A recovery plan is required to include a set of precautions so that the effects of a disaster will be minimized, and the Agency will be able to either maintain or quickly resume mission-critical functions. The Agency's disaster recovery plan is at the finalization stage, as all the preliminary planning and logistics have been put in place and addressed. As part of its strategy to implement the plan, the Agency has included in its 2006-2007 budget activities for setting up a disaster recovery information and communication technologies data centre at its Cairo office. It will become fully operational as a disaster recovery site during the biennium 2006-2007.

Internal controls

33. The Agency has a system of internal controls that are meant to safeguard assets, ensure adherence to management policies and procedures and prevent fraud. This is achieved through the Audit and Inspection Committee, which reviews and approves plans for audit by the Internal Audit Department that are formulated after risk analysis in various operational areas. In addition, there is a developed fraud prevention plan in place, which enhances fraud awareness and prevention. To enhance transparency and control and ensure that no single individual has the final say in decisions, most high-level managerial responsibilities and decisions are administered by committees. These are the Human Resources Committee, the Headquarters Contract Committee, which deals with procurement and the awarding of contracts, and the Property Survey Board, which deals with decisions on assets disposals. The Agency has established detailed instructions and procedures to ensure effective financial administration and the exercise of economy.

34. The Agency maintains a system of internal controls to provide for an effective examination or review of financial transactions in order to ensure the regularity of the receipt, custody and disposal of the resources of the Agency, ensure the conformity of expenditure with the provisions of the Financial Regulations and detect any uneconomic use of the Agency's resources. There are also organizational directives to guide the day-to-day running of the Agency and ensure adherence to internal controls.

G. Financial results for the biennium

35. The Agency's total excess of income over expenditure for the biennium is broken down as follows:

(a) Regular budget mainstream cash amounted to $6.4 million;

(b) The in-kind portion amounted to $0.499 million;

(c) Regular budget funds for Gaza post-disengagement activities amounted to $19.9 million;

(d) Non-regular budget funds amounted to $36.2 million;

(e) Microfinance and microenterprise programme results amounted to a loss of $0.49 million.

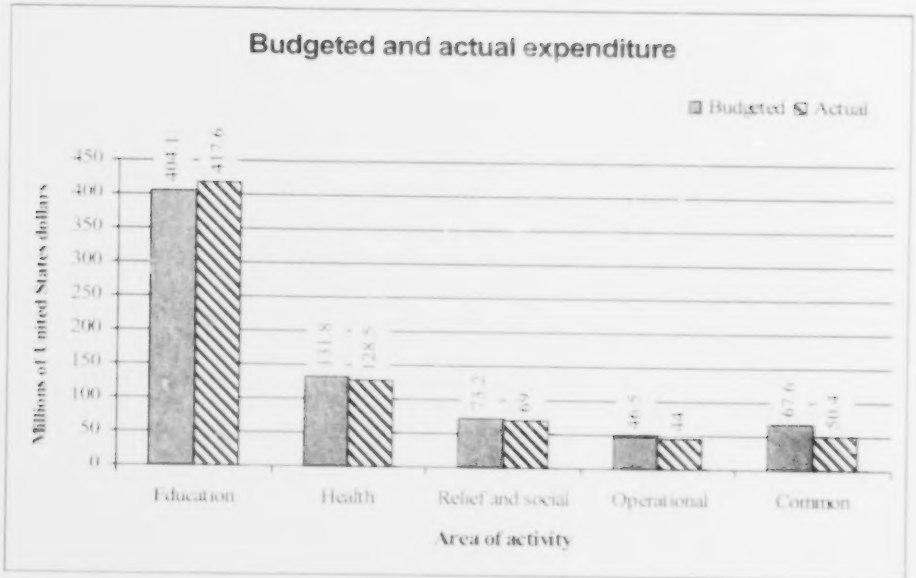
36. The above amounts are shown in statement I, which also shows the balances of the Agency's working capital and other funds. The balances for the other funds are earmarked for specific purposes. Details pertaining to the regular budget portion of the surplus relating to Gaza post-disengagement activities are shown in the notes to the financial statements. The working capital under the Agency's regular budget fund is not a statutory operating reserve but is the difference between assets and liabilities of the fund. The working capital account is used for three specific purposes: (a) to meet temporary shortfalls in cash flow, (b) to finance unforeseen needs and (c) in the event of a curtailment of the Agency's activities, to meet any extraordinary liquidating liabilities.

37. Included in the working capital balance is $23.1 million in accrued contribution income.

38. For efficient cash-flow management, the Agency centrally manages all cash it receives for both the regular and non-regular budget funds. Statement 3 depicts the changes in the Agency's financial position and reflects the consolidated cash balance of $176.3 million at the end of the biennium.

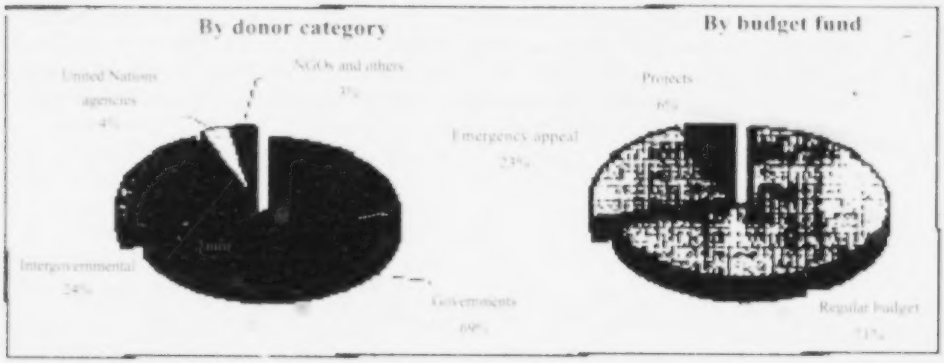
39. Statement 4 shows the Agency-wide budgeted and actual expenditures for the biennium. The Agency expended $987.5 million during the year, against a budget of $1,149.2 million, on all its activities. From the regular budget alone, the expenditure was $709.4 million against a budget of $747.3 million, while from the non-regular budget the expenditure was $271.5 million against a budget of $393.4 million.

40. A graphic comparison of the regular budget actual and budgeted expenditure is shown below:



Sources of funding

41. UNRWA does not have a system of assessed contributions, as its budget is funded almost entirely by voluntary cash and in-kind contributions from Governments, intergovernmental organizations and non-government bodies. The distribution of sources of funding by donor category and budget fund is shown below:



H. Agency-wide structure of accounts

42. The Agency operates a system of fund accounting by which it maintains separate accounts for the regular budget and the non-regular budget funds. The Agency's system of fund accounting provides a full identification of income and expenditure by purpose and the complete separation of the assets and liabilities of each fund. Contributions and corresponding allocations (including those for the regular budget) are assigned individual project codes, which are maintained as distinct financial and accounting entities.

43. The structure of UNRWA financial statements reflects both the recurrent and non-recurrent nature of activities and the means by which they are funded. They also indicate how the Agency funded the expenditure from the different income sources. The statements are broadly divided into two parts:

(a) The regular budget funds comprise recurrent staff and non-staff costs, further divided into cash and in-kind portions. The cash budget is funded through cash contributions recorded as income to the General Fund. The in-kind budget represents the value of in-kind donations that the Agency expects to receive on the basis of agreements with donors or past practice (for example, food aid).

(b) The project budget funds comprise mainly non-recurrent costs funded by earmarked project contributions. Activities are implemented only if they are specifically funded by donors. Most of the Agency's capital costs are included here because of insufficient donor funding to meet all the requirements of the General Fund.

44. The regular budget and the project budget funds together comprise the total volume for the financial year. The text below clarifies which programme activities fall under the General Fund and which fall under the project fund component.

I. Activities of the Agency

45. UNRWA provides education, health, and relief and social services to some 4.3 million Palestine refugees in Jordan, Lebanon, the Syrian Arab Republic, the West Bank and the Gaza Strip. The headquarters of the Agency are located in Gaza and Amman. Throughout its 56 years of humanitarian and human development service in the area, the Agency has demonstrated a capacity to adapt and enhance its programmes as required to cope with developments in the region, and stands ready to continue doing so in accordance with the mandate it receives from the General Assembly.

46. A number of challenges for the work of UNRWA have arisen since the outbreak of strife in the occupied Palestinian territory in September 2000. The continuing strife, severely deteriorating economic conditions for the refugees, and the restrictions on the flow of goods, services and labour have greatly increased demands on UNRWA humanitarian operations in the Gaza Strip and the West Bank.

J. Education programme

47. The goal of the education programme is to provide Palestine refugee children and youth with learning opportunities to acquire knowledge, life-skills, experiences and values in partnership with host authorities, local communities and other United Nations agencies within the context of a multicultural society, with special regard to gender equity, human rights, tolerance, conflict resolution and the Convention on the Rights of the Child. The objectives of the education programme are as follows:

(a) To provide and improve access to quality education and learning opportunities, in line with host authorities' education systems, for Palestine refugee children and youth at the basic level. The Agency also provides secondary-level education in the Lebanon field;

(b) To provide, improve and optimize vocational and technical education for young Palestine refugees to enhance their opportunities for employment and economic independence;

(c) To provide, improve and optimize pre-service teacher education to increase the pool of qualified teachers for prospective recruitment as UNRWA teaching staff;

(d) To enhance capacity-building for technical administrative education staff at all levels in line with the School as a Focus for Development, management development and quality assurance framework approach;

(e) To ensure equity and equality of access to quality learning for children with special educational needs;

(f) To foster and promote among teaching staff and students awareness and understanding with regard to human rights, conflict resolution and tolerance;

(g) To contribute to the process of establishing system-wide programmes addressing gender mainstreaming, child disabilities, psychosocial health and life-skills-based education within system-wide strategies.

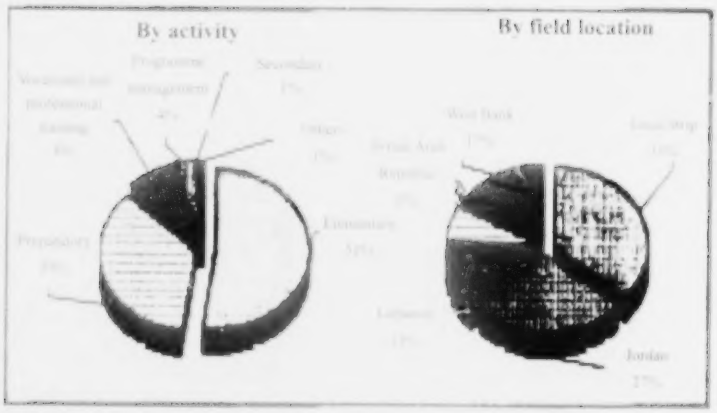
Results of the education programme

48. During the biennium, 485,471 children were enrolled for the school year 2005-2006 in the Agency's 663 elementary, preparatory and secondary schools (the latter in Lebanon only), which were staffed by 16,161 teachers. In addition, 299,973 refugee pupils attended other government and private elementary, preparatory and secondary schools at no cost to UNRWA. During the year, vocational, technical and teacher education was provided at the Agency's eight training centres and three education science faculties for 6,631 students enrolled for the 2005-2006 training year.

49. Some 581 instructors taught in those training centres during the year. In-service teacher-training courses were provided by the Institute of Education at UNRWA headquarters in Amman, through the five education development centres in the UNRWA area of operation, for 995 education staff members in the 2005-2006 school year. Through the UNRWA scholarship programme, which was funded entirely from earmarked donor contributions, 322 students were awarded university scholarships for the academic year 2004-2005.

50. Total expenditure on the education programme for the biennium 2004-2005 amounted to $417.6 million, against the General Assembly-approved budget of $404.1 million. The education programme accounted for 59 per cent of the Agency's regular budget expenditure.

51. The distribution of education-services expenditure by activity and field location is shown below:



K. Health programme

52. The goal of the health programme is to protect, preserve and promote the health status of the registered Palestine refugees within the Agency's five areas of operations and to meet their basic health needs within the available means, consistent with the humanitarian policies of the United Nations as well as with the basic concepts, principles and strategic approaches of the World Health Organization. The objectives of the health programmes are as follows:

(a) To preserve the sustainable investment achieved in women's and children's health and attain further progress in the reduction of infant, child and maternal mortality through an integrated primary health-care approach consistent with the health-related Millennium Development Goals as well as with the standards set out in the Convention on the Rights of the Child;

(b) To address the burden of death and disability caused by the emerging epidemic of non-communicable diseases, particularly diabetes mellitus and cardiovascular diseases, while simultaneously combating major infections that survived the twentieth century, such as tuberculosis;

(c) To improve the access of the disadvantaged and underserved refugee population to health care through the rehabilitation, upgrading and expansion of primary health-care facilities, based on careful mapping of the services of other health-care providers;

(d) To address the increased burden of mental and psychological problems among the refugee population through the development of multidisciplinary community-based programmes focusing on prevention and targeting at-risk groups;

(e) To improve the access of the refugee population to essential hospital services by implementing affordable and equitable hospitalization policies, adjusting the imbalance in financial allocations among fields and achieving cost-efficiency gains through the rationalization of referral practices;

(f) To improve environmental health conditions in refugees camps by implementing developmental projects to upgrade the camp infrastructure of water, sewerage, drainage and solid waste management systems and integrating these systems within the municipal/regional schemes of the host authorities;

(g) To enhance the planning and evaluation capacity of the health-care system by improving methods of data collection and analysis and upgrading the skills and capabilities of health personnel in the use of evidence-based information, including the use of information technology, for improved management and response;

(h) To contribute to the process of establishing system-wide programmes addressing gender mainstreaming, child disabilities, psychosocial health and life-skills-based education within system-wide strategies;

(i) To prevent breakdowns in service delivery and quality in crisis situations by responding to the emerging health challenges while ensuring the sustainability of long-term intervention strategies.

Results of the health programme

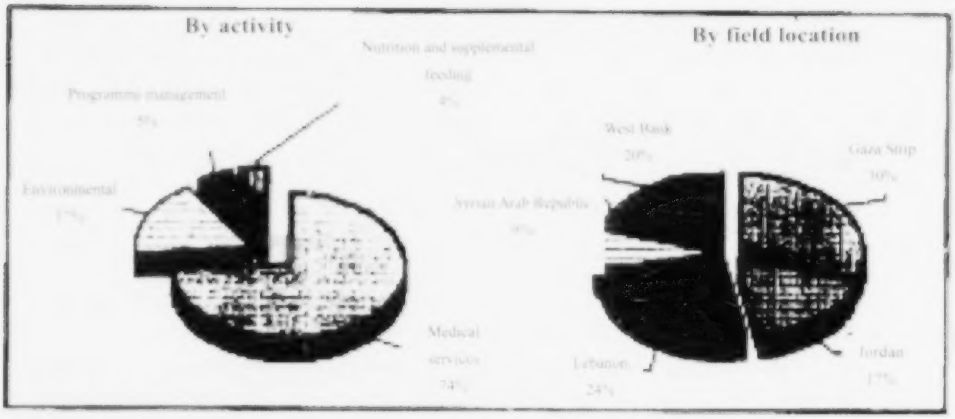
53. The Agency offers comprehensive primary health-care services to Palestine refugees in the five areas of operation, comprising disease prevention and control and maternal and child health care, including family-planning services. These services are provided through 125 primary health-care facilities. During the biennium 2004-2005, a total of 8,830,869 visits were made to these clinics by refugee patients for medical and dental consultations and other services such as injections and dressings.

54. Assistance for hospitalization is provided either at contracted hospitals or through partial reimbursement of costs. UNRWA also runs a small hospital in

Qalqilia in the West Bank and operates six maternity units integrated within the largest health centres in the Gaza Strip. With hospitalization assistance, refugees treated during 2004-2005 at UNRWA hospital and maternity units and at contracted hospitals utilized a total of 140,207 bed days. Environmental health services are also part of the health programme, as is the supplementary feeding programme for pregnant women and nursing mothers.

55. Total expenditure on the health programme for the biennium 2004-2005 amounted to $128.5 million, against the General Assembly-approved budget of $131.8 million. The health programme accounted for 18.1 per cent of the Agency's regular budget expenditure.

56. The distribution of health-services expenditure by activity and field location is shown below:



L. Relief and social services

57. The goal of the relief and social services programme is to provide the most disadvantaged Palestine refugees with humanitarian assistance and to promote the self-reliance of less-advantaged members of the refugee community, especially women, the aged, children, youth and persons with disabilities. The objectives of the relief and social services programme are as follows:

(a) To alleviate poverty among the most vulnerable within the Palestine refugee community by linking short-term relief to longer-term development needs, through a needs-based approach that addresses actual needs while emphasizing equality of opportunity and the right to basic human development;

(b) To ease the immediate plight of the poorest eligible refugee families through basic subsistence support with a gradual closing of the gap in safety-net provisions between those of the host authorities and UNRWA;

(c) To promote and facilitate community-based action through community-based organizations that create social, cultural, economic or educational opportunities and provide services for women, the aged, children, youth and persons with disabilities, and their families.

(d) To promote the institutional capacity of community-based organizations through training and technical assistance to enhance refugee participation in the formulation and implementation of social services for vulnerable groups in their communities;

(e) To improve the efficiency and effectiveness of service delivery to special hardship case families through a reduction in social worker caseloads, systematic in-service training and the improvement of overall working conditions;

(f) To improve the quality of the microcredit community support programme and enhance opportunities for economic inclusion through skills training and increased access to diversified loan products;

(g) To provide shelter to families that have lost their homes or that live in substandard housing as a result of chronic poverty, as assessed by each field location;

(h) To assist families with small-scale emergency needs during a family-specific economic or humanitarian crisis through selective cash assistance based on actual needs;

(i) To computerize the records of 4.8 million registered refugees on new web-based information technology and create integrated refugee data from all Agency programmes.

Results of the relief and social services programme

58. For the biennium ending 31 December 2005, 62,606 families comprising 255,980 refugees (with an average family size of 4 persons) were enrolled in the special hardship case programme, involving roughly 5.9 per cent of the total registered refugee population during the biennium. The food aid subprogramme, the quarterly safety-net support package of food/cash subsidies for special hardship case families, was covered by cash and in-kind donations from various donors, with benefits distributed according to set criteria and procedures. Selective/emergency cash assistance for those in extreme distress was continued during 2005, with a total of $3.7 million distributed during the biennium to 18,294 special hardship case and non-special hardship case families in all field locations. Six hundred eighty-eight members of special hardship families were enrolled in the vocational training centres and education science faculty training administered by the Agency's Department of Education, in an effort to obtain marketable skills and break family cycles of poverty.

59. During the reporting period, shelter rehabilitation was completely financed through extrabudgetary funds, enabling the rehabilitation of 645 shelters, using both contractual and self-help approaches. This represented 5.9 per cent of the estimated need (10,894 shelters), as identified by the various field locations.

60. A total of 299 social workers provided counselling and support to help families cope with difficulties related to their socio-economic situation. To enhance their role in providing quality services in an efficient and effective manner, the reduction of social workers' caseload norm from 250 to 200 special hardship cases was approved at the end of 2005. As a result, additional social workers will be hired during 2006. An innovative two-year certified education programme was developed during 2004 in collaboration with the Southern Illinois University School of Social Work (Carbondale, United States of America). The objective of the certified education

programme is to enhance the technical capabilities of relief and social services staff and to advance a generalist approach to social work practice, incorporating multi-intervention strategies and systems. Thus far, 223 social workers and their immediate supervisors in Jordan, the Syrian Arab Republic, Lebanon and the West Bank have successfully completed 4 courses, while 91 social workers and their immediate supervisors from Gaza completed only 2 courses because of repeated closures and travel restrictions.

61. In the process of developing and implementing a needs-based approach for the special hardship case food aid programme (to replace the current "status-based" approach), a senior poverty adviser was hired and the following was achieved: an in-depth socio-economic survey of the special hardship case families was conducted in all fields; the Jordan field poverty lines (absolute and abject) were reviewed, researched and updated; income thresholds and eligibility criteria for special hardship case families were revised accordingly; and new payment schemes were proposed based on the utilization of a newly developed proxy means test formula. A pilot project in Jordan to better target the poorest special hardship case families was tentatively planned for 2006.

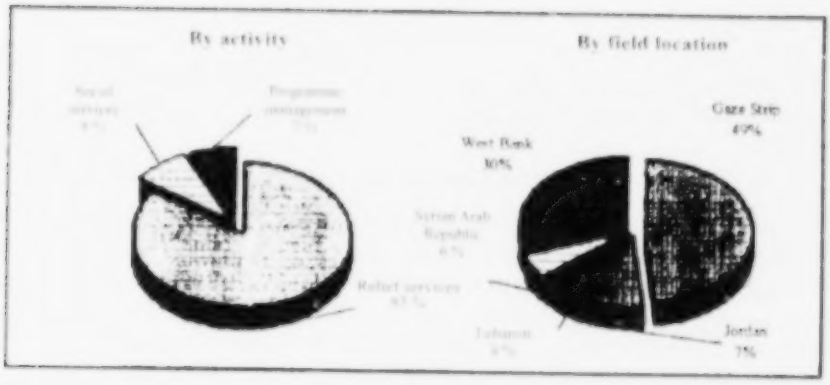
62. The Agency's eligibility and registration staff continued the monthly updates of information contained in the field registration system database on 4,356,438 refugees and continued to maintain the field social study system database, which tracks the socio-economic data of the special hardship families. The scanning of family file documents and historical registration records commenced in the five fields (Jordan, Lebanon, the Syrian Arab Republic, the West Bank and Gaza), with more than 2.5 million documents digitally scanned and preserved during the reporting period in all fields.

63. Through a network of 104 UNRWA-affiliated community-based organizations, the social services programme continued to provide Palestine refugees with access to opportunities to address their socio-economic priority needs through various activities, including raising awareness, skills training and credit provision. During the reporting period, a total of 190,917 women, persons with disabilities, children and youth benefited from these activities. In addition, those community-based organizations, administered by refugee volunteers, successfully managed 149 income-generating projects, which yielded 382 job opportunities and enhanced the centres' financial sustainability.

64. The microcredit community support programme built on existing relief and social services programmes by targeting women and members of special hardship case families and by building the capacity of community-based organizations to provide credit opportunities. During the reporting period, the microcredit community support programme created 1,258 jobs through various credit schemes, which contributed to improving the living standards of the refugees and their families. A total of 2,355 women and their families benefited from indirect lending schemes administered through community-based organizations.

65. Total expenditure on the relief and social services programme during 2004-2005 amounted to $69.0 million, against the General Assembly-approved budget of $73.2 million. Relief and social services expenditure represented 9.7 per cent of the Agency's regular budget expenditure.

66. The figures below reflect the distribution of relief and social services expenditure by activity and location:



M. Operational and technical services

67. The goal of the Operational Technical Services Department is to support the Agency's main programmes through the provision of integrated operational support services in procurement and logistics, information and communication technologies (ICT), engineering and construction, guided by comprehensive policies and an overall strategy to achieve optimal quality and best value for money in providing humanitarian assistance to Palestine refugees. The objectives of the operational and technical services are as follow:

(a) To establish a quality-assurance function aimed at enhancing customer satisfaction through effective communication, reliability, timeliness and cost-effectiveness of the operational and support services in ICT, procurement and engineering;

(b) To contribute to the improvement of the living conditions of refugees living in camps by initiating a comprehensive camp development programme;

(c) To implement further reforms in the areas of procurement and logistics, ICT, construction and engineering to ensure that the provision of services achieves best value for money.

68. Total expenditure on the operational and technical services programme during 2004-2005 amounted to $43.9 million, against the General Assembly-approved budget of $46.5 million. Operational and technical services expenditure represented 6.2 per cent of the Agency's regular budget expenditure.

N. Common services

69. The goal of common services is to maintain the functioning of the Agency through sound legal support, cost-effective and efficient management, policy analysis, effective fund-raising and outreach to external interlocutors. The objectives of the common services are as follows:

(a) To provide policy advice to the Commissioner-General and ensure smooth implementation of policy decisions and general cohesion of Agency operations;

(b) To provide legal advice and support concerning matters of international law, particularly issues involving the privileges and immunities of the Agency and its staff;

(c) To ensure Agency-wide accountability and transparency;

(d) To maintain positive and productive relationships with donors and to enhance project management through the project cycle;

(e) To increase awareness and support of the Agency among citizens, Government's and non-governmental organizations of donors and host nations as well as the refugee population and Agency staff;

(f) To provide programme and policy analysis that allows the Agency to respond to changing operational, political and social circumstances;

(g) To liaise and strengthen cooperation with other United Nations agencies and participate in intergovernmental forums;

(h) To maintain and improve human resources services to international and area staff members;

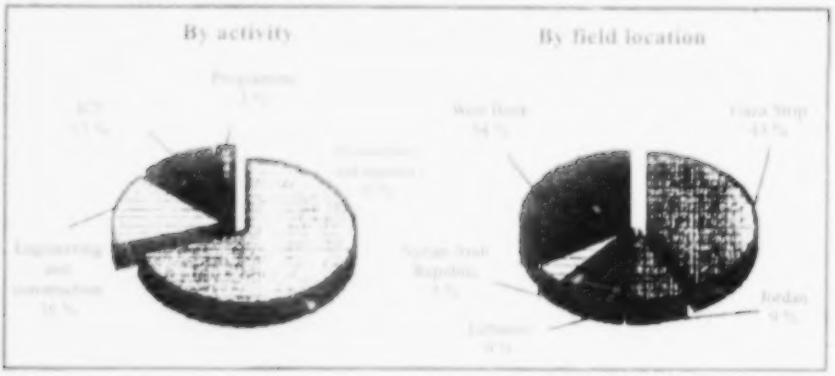
(i) To effectively manage the Agency's financial resources.

Results of the common services

70. As part of efforts in management reform aimed at improving the Agency's overall efficiency, recently implemented payroll and financial management systems were further enhanced/improved during the year to meet the operational needs of the Agency.

71. Expenditure during the biennium for common services amounted to $50.4 million, against the General Assembly-approved budget of $67.6 million, representing 7 per cent of the Agency's regular budget expenditures.

72. The figures below reflect the distribution of operational, technical and common services expenditure by activity and field location.



73. In addition to the ongoing services described above, during the biennium 2004-2005 UNRWA implemented the following special programmes to improve the living conditions of Palestine refugees, with earmarked funding from donors.

O. Gaza post-disengagement plan

74. During the biennium ended 31 December 2005, the Agency had specific activities planned for the period following the disengagement of the Israelis from Gaza Strip settlements. During the biennium under review, income amounting to $29.2 million was received from donors specifically for the post-disengagement plan, of which $9.3 million was expended towards disengagement-related activities, leaving $19.9 million.

P. Emergency appeal

75. Following the outbreak of strife in the occupied Palestinian territory in September 2000, UNRWA launched a series of emergency appeals for donor support for emergency assistance to more than 1.3 million affected refugees. The emergency appeals sought to alleviate the humanitarian distress created as a result of the crisis in the Gaza Strip and the West Bank. The successive emergency appeals are aimed at providing employment opportunities, providing cash and in-kind assistance for the poorest refugee families, and reconstruction and repair of infrastructure and refugee shelters damaged as a result of military action. During the biennium ended 31 December 2005 the Agency continued its programme of emergency assistance, focusing on food aid, emergency employment creation, shelter repair and rebuilding, cash assistance, health and education.

76. The total value of the appeal for the biennium 2004-2005 amounted to $395.2 million ($209.4 million for 2004 and $185.8 for 2005). The total value of the emergency appeal since its inception in 2000 stands at $924.9 million.

Q. Post-1999 projects

77. The projects budget comprises mainly non-recurrent infrastructure costs that are to be funded by non-core budget contributions, including those relating to the expansion, replacement and maintenance of UNRWA facilities in order to meet the increasing demand for Agency services (particularly in the field of education), and the improvement of housing and environmental health conditions in refugee camps. By treating projects as integral to the biennium budget, the Agency provides a comprehensive estimate of its financial requirements to carry out its mandate over the biennium and directly links project-funded activities with those programme activities funded under the regular budget. Total pledges of $47.9 million were made for projects during 2004-2005, of which $13.92 million was received. Additionally, $6.4 million was received during the year against prior pledges. The total expenditure during 2004-2005 in this category was $24.31 million.

R. Other projects

78. The phasing out of projects under the titles peace implementation programme, Lebanon appeal and capital and special projects continued during the biennium 2004-2005, resulting in minimal activities in this category.

S. Microfinance and microenterprise programme

79. The goal of the microfinance and microenterprise programme is to promote economic development and alleviate poverty. This is achieved through the provision of credit for enterprise, household consumption and housing needs that will improve the quality of life of householders, small business owners and microentrepreneurs, sustain jobs, decrease unemployment, reduce poverty, empower women and provide income-generating opportunities for Palestine refugees and other proximate poor and marginal groups. The objectives of the microfinance and microenterprise programme are as follows:

(a) To provide enterprise, consumer and housing credit on a scale that is large enough to have a significant and measurable impact on the lives of the poorest;

(b) To provide operationally self-sufficient and sustainable credit in a cost-effective manner by targeting financial services in poorer urban areas with a high concentration of commercial, service and industrial businesses. Areas will be selected predominantly on the basis of having a highly localized density of Palestine refugees;

(c) To develop and expand the programme by adhering to international standards of outreach and efficiency so that the programme can be benchmarked and assessed against other practitioner institutions. The programme strives to achieve the best practices of the emerging microfinance industry through its participation in local and regional microfinance networks and by adopting the standards and practices established for the industry by such institutions as the Consultative Group to Assist the Poorest, the United State Agency for International Development, the Microfinance Network, Sanabel, the Calmeadow Foundation and Accion International;

(d) To meet the emerging standards for business training and business development services, where all the direct costs of training are met from participation fees and only the overhead and administrative costs are subsidized from donor contributions.

Results of the microfinance and microenterprise programme

80. For the biennium 2004-2005, the programme maintained a portfolio of 14,548 active loans with an outstanding balance of $9.09 million through its network of 10 branch offices and increased the budget for an additional three offices that will be opened in early 2006. During the biennium the programme disbursed 39,627 loans valued at $35.42 million; 59 per cent of these were disbursed in Gaza, 27 per cent in the West Bank and 9 per cent each in Jordan and the Syrian Arab Republic. Women microentrepreneurs received 9,926 loans, 74 per cent of which went to Palestine refugees. A total of 26,935 microenterprise credit loans valued at $26.95 million, 9,333 solidarity group loans to women worth $5.71 million, 3,269 consumer loans

worth $1.85 million and 90 small-scale enterprise loans valued at $0.94 million were disbursed during this period. Since its inception the programme has invested $109 million in nearly 106,000 loans to Palestine refugees and others. In addition to its microfinance activities, during the biennium, the programme's small and microenterprise training programme provided 102 enterprise- and business-related training courses to 2,451 participants. More details are shown in chapter V, section C below.

T. Area Staff Provident Fund

81. The financial statements of the Area Staff Provident Fund shown in chapter V, section E of the present report indicate that the investments of the Fund increased from $942.77 million to $947.49 million during 2005.

82. The Fund's investment income for the year was $62.34 million, compared with $85.77 million for the previous year.

83. The income available to the credit of the Fund participants as at 31 December 2005 amounted to $22.45 million, compared with $82.65 million for the previous year.

Chapter II
Report of the Board of Auditors

Summary

The Board of Auditors has reviewed the operations of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) and has audited its financial statements for the biennium ended 31 December 2005. The Board has issued an unqualified audit opinion on the financial statements of UNRWA for the biennium ended 31 December 2005, as reflected in chapter III of the present report.

Implementation of previous recommendations

As requested by the Advisory Committee on Administrative and Budgetary Questions in paragraph 8 of its report A/59/736 and paragraphs 12 and 20 of A/60/387, the Board evaluated the ageing of its previous recommendations that had not yet been fully implemented and has indicated the financial period in which those recommendations had first been made in the annex to the present chapter. Of a total of 45 recommendations, 35 (78 per cent) had been implemented, while 3 (6 per cent) were under implementation and 7 (16 per cent) had not been implemented. The three recommendations not yet fully implemented related to the biennium 2002-2003. Included in the seven recommendations not yet implemented, one (14 per cent) related to the biennium 2000-2001, while the remaining six related to the biennium 2002-2003.

Financial overview for the biennium ended 31 December 2005

The total combined income of $1.02 billion exceeded combined expenditure of $0.99 billion, resulting in a surplus of $57 million (2000-2001: $19 million) after prior-year adjustments of $20 million. The Agency's closing working capital and fund balances as at 31 December 2005 amounted to $38.7 million and $129.5 million respectively.

Contributions to regular budget funds, which continued to be the main source of UNRWA income, amounted to $734.7 million for the biennium 2004-2005 compared with $613.7 million for the previous biennium. Contributions to non-regular budget funds also increased, from $209.6 million in the biennium 2002-2003 to $298.3 million in the biennium 2004-2005.

Land and buildings

UNRWA had changed its previous accounting treatment for land and buildings by expensing the cost incurred in respect of construction of buildings and not capitalizing it. UNRWA represented to the Board that it had in substance no legal ownership to the land and buildings as most of the buildings were constructed on land that did not belong to UNRWA. In addition, UNRWA stated that it did not have any control over the refugee shelters constructed. Therefore, UNRWA had derecognized the land and buildings, in consultation with the Board, and had disclosed the change in accounting policy. That change was appropriately reflected in note 1.9 of the financial statements.

This notwithstanding, there was no centralized maintenance of a detail listing of all acquisitions and disposals in respect of land and buildings being made across the various field offices.

Procurement and contract management

Not all staff associated with the procurement process at the Gaza Strip and Jordan field offices visited were aware of the procurement standards of conduct and the requirements thereof.

The proposed lead time between requisition for purchases and the actual capturing of purchase orders had exceeded the three-month guideline by 4 to 10 months in some instances. In respect of purchase orders captured on the system, the guideline for approval of purchase orders within one month had been exceeded by three to seven months.

Human resources management

In accordance with the programme budget for the biennium 2004-2005, the international staff and area staff establishment was 148 and 26,242 respectively. In view of the number of staff, it was important for UNRWA to have a human resources plan in order to manage resources efficiently and effectively to achieve the strategic objectives of the Agency. A human resources plan integrates various aspects of the management of staff, systems and practices that impact on the entity's results. UNRWA did not have a human resources plan in place.

Although UNRWA was reviewing strategies for succession planning, opportunities for staff rotation and transfers were limited owing to the nature of the operations, namely that the areas of operations were scattered within the region, some duty stations experienced frequent emergency situations, and the prevailing political and security situation in the region limited the movement, transfer and rotation of staff.

Results-based management

UNRWA did not have policies/directives/guidelines to implement and sustain results-based management. The policy should include a communication strategy to facilitate proper understanding of results-based management among all role players.

The absence of policy and proper structuring of processes and systems, inconsistent reporting and the lack of clearly defined responsibilities had created an environment that was not conducive to results-based management. Management of performance to achieve results might be impacted negatively, thus affecting operations.

Programme and project management

A formalized strategy, by way of policies/directives/guidelines, to implement and sustain project and programme management was not in place for all projects of UNRWA. The project procedure manual was applied only to projects funded specifically by donors; the manual, however, could be adjusted to apply to other projects as well.

Microfinance and microenterprise programme

The Board analysed the amounts of bad debts written off and subsequently recovered and recognized as revenue. The analysis indicated that the policy used by the microfinance and microenterprise programme to determine the level of bad debts might be overly conservative.

The Board noted an exception to the general policy with respect to accounting for interest on loans, which was recorded on the cash basis of accounting. The financial effect of the departure from International Financial Reporting Standards in respect of the recognition of investment income was not material. Interest income was estimated to be understated between $21,690 and $80,294, depending on the interest charge policy for the year ended 31 December 2005.

Area Staff Provident Fund

The Board noted that 8,878 humanitarian loans due from members of the Area Staff Provident Fund, amounting to $46,487 million, were accounted for at historical cost and not at amortized cost. It was estimated that the overall effect of this deviation from IAS (International Accounting Standards) 39 was a $1.4 million overstatement of the outstanding balance for humanitarian loans to members and the liability of restricted members' credits on loans.

Information and communication technology

UNRWA had purchased and developed a number of applications systems. The Board therefore deployed specialist information and communication technology audit expertise. In summary, the Board made the following observations: no concise, complete and approved change control process for emergency changes were in place; no disaster recovery plan existed; no information and communication technology security policy existed; the auditing feature, the logging of policy changes and the account management events on the domain controller had not been enabled; and the remote access service controls to limit the exposure to security risk were not in place.

Fraud and presumptive fraud

UNRWA reported 11 cases of fraud and presumptive fraud to the Board for the financial period ended 31 December 2005. There was financial loss of $21,882 in one case, no financial losses in four cases and the extent of potential losses for five cases could not be determined. In the one additional case, UNRWA had yet to determine the financial loss, since the case was still pending.

Recommendations

A summary of the main recommendations of the Board is set out in paragraph 10 of the present report.

A. Introduction

1. The Board of Auditors has audited the financial statements and reviewed the operations of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) for the period from 1 January 2004 to 31 December 2005, in accordance with General Assembly resolution 74 (I) of 7 December 1946. The audit was conducted in conformity with article VII of the Financial Regulations and Rules of the United Nations and the annex thereto, as well as the common auditing standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency, and the International Standards on Auditing. Those standards require that the Board plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

2. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements of UNRWA presented fairly the financial position of the Agency as at 31 December 2005 and the results of operations and cash flows for the biennium then ended, in accordance with the United Nations System Accounting Standards. The audit included an assessment as to whether the expenditures recorded in the financial statements for the period from 1 January 2004 to 31 December 2005 had been incurred for the purposes approved by the governing bodies and whether income and expenditures had been properly classified and recorded in accordance with the Financial Regulations and Rules and the United Nations System Accounting Standards. The audit also included a general review of financial systems and internal controls and a test examination of accounting records and other supporting evidence to the extent that the Board considered necessary in order to form an opinion on the financial statements.

3. In addition to the audit of the accounts and financial transactions, the Board carried out reviews under financial regulation 7.5. The reviews focused primarily on the efficiency of financial procedures, internal financial controls and, in general, the administration and management of UNRWA, including its field offices. The Board also issued separate audit opinions on the financial statements of the Area Staff Provident Fund and the microfinance and microenterprise programme, both of which were prepared in terms of International Financial Reporting Standards for the year ended 31 December 2005.

4. The Board continued its practice of reporting the results of specific audits in management letters containing detailed observations and recommendations. This practice allowed for an ongoing dialogue with UNRWA.

5. The present report addresses matters that, in the opinion of the Board, should be brought to the attention of the General Assembly. The Board's observations and conclusions were discussed with UNRWA, whose views have been appropriately reflected in the report.

6. A summary of the Board's main recommendations is contained in paragraph 10 below. The detailed findings are reported in paragraphs 12 to 177.

1. Previous recommendations not fully implemented

Biennium ended 31 December 2003[1]

7. In accordance with General Assembly resolution 48/216 B of 23 December 1993 and 60/234 of 23 December 2005, the Board also reviewed the measures taken by UNRWA to implement the recommendations made in its report for the biennium ended 31 December 2003. Details of the action taken and the comments of the Board are included in the report and have been summarized in the annex to the present chapter. Of a total of 45 recommendations, 35 (78 per cent) had been implemented, while 3 (6 per cent) were under implementation and 7 (16 per cent) had not been implemented.

Ageing of previous recommendations

8. As requested by the Advisory Committee on Administrative and Budgetary Questions, in paragraph 8 of its report A/59/736, and paragraphs 12 and 20 of A/60/387, the Board evaluated the ageing of its previous recommendations that had not yet been fully implemented. The financial period in which such recommendations were first made is indicated in the annex to the present chapter.

9. Three recommendations not yet fully implemented related to the biennium 2002-2003. Included in the seven recommendations not implemented, one (14 per cent) related to the biennium 2000-2001, while the remaining six related to the biennium 2002-2003.

2. Main recommendations

10. The Board's main recommendations are that UNRWA:

Land and buildings

(a) **Maintain a centralized and easily accessible detail listing of acquisitions and disposals of buildings made during a biennium (para. 32);**

Procurement and contract management

(b) **Promote the internalization and awareness of its procurement standards of conduct among all staff associated with the procurement process (para. 39);**

(c) **Evaluate the reasons for the lengthy procurement lead times and take appropriate action to reduce them, in line with the set guidelines (para. 53);**

(d) **Monitor the procurement lead times on an ongoing basis and ensure that corrective actions are taken accordingly (para. 53);**

Human resources management

(e) **Expedite the compilation and implementation of a comprehensive human resources plan (para. 57);**

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[1] See *Official Records of the General Assembly, Fifty-ninth Session, Supplement No. 5C* (A/59/5/Add.3), chap. II.

(f) **Ensure that prior approval is obtained for overtime work and paid to staff members in line with area staff rule 101.3 (para. 64);**

(g) **Formalize the process of succession planning (para. 77);**

Results-based management

(h) **Establish policies and procedures on results-based management to provide for strategic planning, setting of targets, monitoring processes, promoting effective management decisions and reporting on performance (para. 84);**

(i) **Compile a project document with an action plan, including time frames and responsibilities, for the full implementation of results-based management (para. 99);**

Programme and project management

(j) **Adopt a policy covering the management of all projects and set out the responsibilities of all role players, as well as the competencies and training required (para. 104);**

Microfinance and microenterprise programme

(k) **Revise its accounting policy for the treatment of provisions for bad debts of loans, taking into account the type, geographical distribution and all risk factors affecting the recoverability of the loans (para. 120);**

(l) **Revise its accounting policy for the microfinance and microenterprise programme and implement the necessary adjustments to the Financial Management System to facilitate the accrual of investment income and compliance with International Financial Reporting Standards (para. 126);**

Area Staff Provident Fund

(m) **Make the necessary process changes in order to recognize humanitarian loans at amortized cost and ensure compliance with IAS (International Accounting Standards) 39 (para. 135);**

Information and communication technology

(n) **Enforce standardized procedures relating to requests for changes to the application systems and enforce a concise, complete and approved change control process, for emergency changes (para. 146);**

(o) **Develop, approve and promulgate a comprehensive disaster recovery plan and communicate it to all personnel, and test, review and update its disaster recovery plan regularly (para. 153);**

(p) **Develop, approve, implement and update on a regular basis an information and communication technology security policy to enforce and regulate access to sensitive and confidential data and information (para. 157);**

(q) **Activate the auditing feature and log the policy changes and account management events on the domain controller (para. 165);**

(r) **Review the controls for remote access services so as to limit the exposure to security risk (para. 169).**

11. The Board's other recommendations appear in paragraphs 21, 34, 46, 48, 62, 70, 74, 80, 86, 88, 93, 107, 110, 147, 162, 172 and 176.

B. Detailed findings and recommendations

1. Financial overview

12. The data in table II.1 indicate that the overall financial position improved slightly for the biennium ended 31 December 2005. The significant decrease for the microfinance and microenterprise programme in respect of the assets and cash over liabilities was due to $3.4 million of income received in advance, which had been included in the liabilities for the biennium 2004-2005. With respect to the other resources, the increase in the ratios for assets and cash over liabilities was mainly due to the decrease in the reserve for unliquidated obligations from $41.9 million in the biennium 2002-2003 to $15.7 million in the biennium 2004-2005.

Table II.1
Ratios of key financial indicators

	Regular resources		*Other resources*		*Microfinance and microenterprise programme*		*Total resources*	
Description of ratio	*2003*	*2005*	*2003*	*2005*	*2003*	*2005*	*2003*	*2005*
Cash/total assets[a]	0.62	0.64	0.65	0.64	0.62	0.47	0.64	0.63
Assets/liabilities[b]	2.19	1.77	2.50	7.33	232.17	4.72	2.48	2.88
Cash/liability[c]	1.36	1.14	1.62	4.71	143.96	2.22	1.58	1.82

[a] A high indicator depicts a healthy financial position.
[b] A high indicator reflects a positive solvency position.
[c] A high indicator reflects the extent of cash available to settle debts.

13. Contributions to regular budget funds, which continued to be the main source of UNRWA income, amounted to $734.7 million for the biennium 2004-2005 compared with $613.7 million for the previous biennium. The Administration attributed the increase in income under the regular budget to its intensified efforts to generate revenue. Contributions to non-regular budget funds also increased, from $209.6 million in the biennium 2002-2003 to $298.3 million in the biennium 2004-2005. Other income decreased by $32.9 million owing to the exchange loss of $18.6 million for the biennium 2004-2005 in comparison to the exchange gain of $16.9 million in the previous biennium. The total combined income for all funds amounted to $1.02 billion for the biennium 2004-2005 compared with $0.85 billion for the previous biennium.

14. Expenditures from regular budget funds and non-regular budget funds amounted to $709.4 million and $271.5 million, respectively. Combined actual expenditures amounted to $987.5 million, compared with $824.6 million for the previous biennium, including $6.6 million (2002-2003: $4 million) in respect of the microfinance and microenterprise programme. In terms of UNRWA programmes,

education accounts for $417.6 million (2002-2003: $360.1 million), with health and relief and social services accounting for an additional $128.5 million (2002-2003: $105.3 million) and $68.9 million (2002-2003: $57.0 million) respectively.

15. The Agency's total staff costs amounted to $601.6 million (2002-2003: $517.4 million) consisting of international staff costs of $43.5 million (2002-2003: $35.2 million) and area staff costs of $558.1 million (2002-2003: $482.2 million), some 61 per cent (2002-2003: 63 per cent) of total actual expenditure.

16. The total combined income of $1.02 billion exceeded combined expenditures of $0.99 billion, resulting in a surplus of $57.0 million (2000-2001: $19.0 million) after prior-year adjustments of $20.0 million. The surplus of $57.0 million will be carried forward in accordance with UNRWA practice. The Agency's closing working capital and fund balances as at 31 December 2005 amounted to $38.7 million and $129.3 million respectively.

2. United Nations system accounting standards

17. The Board assessed the extent to which the financial statements of UNRWA for the biennium ended 31 December 2005 conformed to the United Nations system accounting standards. The review indicated that the financial statements were consistent with the standards.

3. Presentation and disclosure of the financial statements

18. The Board had previously recommended[2] that UNRWA continue to review the potential improvements in the financial statements with a view to better disclosing and presenting information. The Board again noted significant presentation and disclosure errors in respect of the first set of UNRWA financial statements submitted on 29 March 2006.

19. Amounts presented on the face of the income statement (Statement I) and the balance sheet (Statement II) did not agree with the notes to the financial statements. This was due to the UNRWA consolidated notes not reflecting the total of the regular and non-regular budget funds and the microfinance and microenterprise programme, whereas those amounts had been consolidated as a separate column in the UNRWA financial statements.

20. In addition, all notes supporting material amounts presented on the face of the financial statements were not disclosed initially. There were also casting and cross-casting errors in respect of amounts presented in the financial statements and in the notes to the financial statements. The Board and the Audit and Inspection Department of UNRWA recommended significant changes to the financial statements in order to reflect fair presentation and disclosure. UNRWA amended the statements accordingly.

21. **UNRWA agreed with the Board's recommendation to improve its review and quality check processes in the preparation of the financial statements to ensure fair and accurate presentation and disclosure.**

[2] See *Official Records of the General Assembly, Fifty-ninth Session, Supplement No. 5C* (A/59/5/Add.3), chap. II, para. 34.

22. The Board had previously recommended[1] that UNRWA consider the disclosure of items in the financial report in terms of best governance principles relating to oversight, performance reporting, social accounting issues, risk management, continuity and internal control issues. In that regard, UNRWA should revert to paragraph 6 of General Assembly resolution 57/278 A, since better disclosure would be a step towards taking a proactive approach to the review requested by the Assembly.

23. UNRWA informed the Board that disclosure of some of these items was contained in the annual report of the Commissioner-General to the General Assembly, the UNRWA biennial budget submission and other documents. UNRWA also intended to revert to the matter in the context of the comprehensive review of the governance arrangements referred to in General Assembly resolution 60/1.

4. Land and buildings

24. The land and buildings, which also include the refugee shelters, as initially presented in Statement II of the financial statements, amounted to $402.6 million as at 31 December 2005 ($354.5 million as at 31 December 2003). The related construction work in progress was $4.1 million and $7.9 million respectively at the same dates.

25. The initial accounting policy of UNRWA in respect of land and buildings was as follows: in accordance with the Agency's financial regulation 10.4, expenditure on acquisition, construction or capital improvements of land and buildings is capitalized. The costs incurred during construction that extends over more than one financial period are accumulated and disclosed as construction work in progress. On completion of the construction, the final cost is capitalized.

26. This policy was in accordance with paragraph 48 of the United Nations system accounting standards which requires the inclusion of land and buildings in Statement II of the financial statements. Paragraph 49 (v) of the United Nations system accounting standards further requires the value of such property to be disclosed and the method of valuation (cost, valuation or nominal) to be clearly stated. This policy for the accounting treatment of land and buildings was also outlined in the Agency's financial regulation 10.4.

27. The Board noted that the actual accounting treatment in respect of land and buildings was not in accordance with the stated accounting policy of UNRWA, the Agency's financial regulation 10.4 and paragraph 49 of the United Nations system accounting standards. The land and buildings had been both expensed in the income statement and recognized simultaneously as an asset in the balance sheet. Contra equity accounts had also been recognized in Statement II to equate to the exact value of the land and buildings.

28. UNRWA subsequently represented to the Board that it had in substance no legal ownership to the land and buildings, as most of the buildings were constructed on land that did not belong to UNRWA. In addition, UNRWA stated that it did not have any control over the refugee shelters constructed. On that basis, UNRWA had decided to change its previous accounting treatment by expensing the cost incurred in respect of the construction of buildings. That representation had changed from

[1] See ibid., *Fifty-ninth Session, Supplement No. 5C* (A/59/5/Add.3), chap. II, para. 29.

prior biennium audits when UNRWA represented that the land and buildings were the property of UNRWA. UNRWA had derecognized the land and buildings, in consultation with the Board, and had disclosed the change in its accounting policy. That change was appropriately reflected in note 1.9 of the financial statements.

29. The Board had previously recommended[4] that UNRWA provide more detail on capital acquisitions, disposals and write-offs made during the biennium to reflect movements from the opening to the closing balance in respect of land and buildings. The Board noted that in the biennium 2004-2005 the additions and disposals had been presented as $38.1 million and $0.2 million respectively in note eight to the financial statements.

30. UNRWA was initially not able to provide the Board with a concise and complete audit trail in respect of the construction of buildings. All supporting evidence was maintained at the field offices (Gaza Strip, Jordan, Lebanon, the Syrian Arab Republic, and the West Bank) and, given the extent of the documentation supporting the construction expenditure, could not be easily collated for audit purposes. There was no centralized maintenance of a detail listing of all acquisitions and disposals in respect of land and buildings being made across the various field offices.

31. The Board and the Audit and Inspection Department of UNRWA, therefore had to go through a lengthy process to obtain sufficient appropriate audit evidence to support the validity, completeness and accuracy of acquisitions and disposals of buildings for the biennium 2004-2005. Adequate audit evidence was obtained subsequently.

32. **The Board recommends that UNRWA maintain a centralized and easily accessible detail listing of acquisitions and disposals of buildings made during a biennium.**

5. End-of-service benefits

33. In its previous report,[5] the Board had reiterated its recommendation that UNRWA, in conjunction with United Nations Headquarters, review the funding mechanism and targets for providing for end-of-service and post-retirement benefit liabilities. Actual expenditure of $27.1 million in the biennium 2004-2005 ($23.6 million in the prior biennium) exceeded the budgeted amount of $24.1 million (2002-2003: $19.5 million) by $3.0 million ($4.1 million in the prior period) (see table II.2 below). UNRWA continued to fund the underprovision for end-of-service benefits from the savings made within the staff costs budget. UNRWA had not implemented a mechanism to address its funding requirement pertaining to end-of-service benefits. The total reserves of $183.3 million exceeded the estimated liability of $168.1 million by $15.2 million. UNRWA considered that it might render the accounts misleading if such a provision was made when, in fact, there was no immediate liability to that effect.

[4] See ibid., *Fifty-ninth Session, Supplement No. 5C* (A/59/5/Add.3), chap. II, para. 32.
[5] See ibid., *Fifty-ninth Session, Supplement No. 5C* (A/59/5/Add.3), chap. II, para. 51.

Table II.2
End-of-service benefits
(Millions of United States dollars)

Description	As at 31 December 2003	2004	Change (percentage)
Estimated liability	147.3	168.1	14
Provision per budget	19.5	24.1	24
Actual expenditure	73.6	27.1	11
Total reserves	**131.9**	**183.3**	**39**

34. **The Board reiterates its recommendation that UNRWA, in conjunction with United Nations Headquarters, review the funding mechanism and targets for providing for end-of-service and post-retirement benefit liabilities in line with policies adopted by other United Nations organizations.**

35. UNRWA informed the Board that the responsibility to bear the costs of paying end-of-service benefits to employees in the event that the Agency ceased to operate as a result of non-renewal of the mandate should lie with the General Assembly.

6. Write-offs of losses of cash, receivables and property

36. UNRWA reported to the Board losses of cash written off during the biennium 2004-2005 amounting to $21,882 (2002-2003: $1,181). There were no write-offs of losses relating to receivables and property.

7. Ex gratia payments

37. In line with financial regulation 5.11, UNRWA provided the Board with information on the ex gratia payments made. UNRWA made five ex gratia payments amounting to $215,862, of which $164,409 related to the reconstruction of a shelter at the Rafah Camp.

8. Procurement and contract management

Procurement standards of conduct

38. UNRWA promulgated procurement standards of conduct on 21 November 2004 containing specific provisions relating to the professional ethics and integrity required of all UNRWA staff. The Board noted that not all staff associated with the procurement process at the Gaza Strip and Jordan field offices visited were aware of the standards of conduct and the requirements thereof. The standards of conduct would be effective only if they were internalized among all staff associated directly or indirectly with the procurement process.

39. **UNRWA agreed with the Board's recommendation to promote the internalization and awareness of its procurement standards of conduct among all staff associated with the procurement process.**

40. UNRWA informed the Board that it had reminded all section heads and field procurement and logistic officers to ensure that all staff involved with the procurement

process read again the standards of conduct and signed a form of acknowledgement stating that they had done so. Those forms would be signed annually.

Qualifications, experience and training of procurement staff

41. The minimum qualifications and experience of procurement staff were set out in the post description of each position. The Board reviewed these requirements for procurement staff at the Gaza Strip and Jordan field offices. While procurement staff at the Jordan field office had met the requirements, that was not the case at the Gaza Strip field office.

42. The lack of qualifications and experience of procurement staff at the Gaza Strip field office might be a reflection of the available pool of potential candidates in the Gaza Strip, but good procurement practice suggests that procurement staff should receive formal procurement training at least once every two to three years. While most procurement staff at the Jordan field office had received procurement-related training at some point during their careers, some procurement staff at the Gaza Strip field office had never received such training. That competency gap might have a negative impact on the quality and timeliness of procurement actions, and the fairness, integrity and transparency of the procurement process.

43. UNRWA had financed from its general funds the development of 31 staff by funding distance learning studies with the Chartered Institute of Purchasing and Supply leading to a professional diploma in procurement. However, none of the procurement staff at the Gaza Strip field office had enrolled in the professional diploma in procurement offered by the Institute.

44. UNRWA further informed the Board that the Procurement and Logistics Division had established a detailed training plan for its procurement and logistics staff covering the period 2005-2009. Budget provisions had already been proposed for the biennium 2006-2007 in order to continue the programme. Given the ongoing difficult operational environment in the Gaza Strip, the ability of staff and trainers to travel in or out of the field had been severely hampered. Nonetheless, UNRWA realized there was a training deficiency among the procurement staff in the field. While UNRWA might consider enrolling more staff in the Chartered Institute of Purchasing and Supply programme, that would have to be done on a case-by-case basis because of the degree of English language proficiency required, as well as the aptitude for taking university-level courses.

45. A United Nations specific procurement certification scheme, which included both training and professional certification in the area of procurement, had been established for the common United Nations system of organizations. The programme had started in 2005 with the United Nations System Staff College conducting train-the-trainer workshops, to which UNRWA had nominated four staff members. The intention was for those staff members to be the primary conduit for the transfer of knowledge to UNRWA procurement staff at large. They would also facilitate the studies leading towards the specific United Nations examination and subsequent certification for UNRWA staff involved in the procurement process.

46. **UNRWA agreed with the Board's recommendation to improve the competency of its procurement staff through either continued formal training interventions or support of the completion of courses through professional institutions.**

Code of conduct for suppliers

47. The Board noted that the Procurement and Logistics Division of UNRWA had not promulgated and implemented a code of conduct for suppliers. The United Nations Supplier Code of Conduct[6] stated that the values enshrined in the Charter of the United Nations, respect for fundamental human rights, social justice and human dignity, and respect for the equal rights of men and women, served as the overreaching goals those suppliers to the United Nations were expected to achieve.

48. **The Board recommends that UNRWA adopt and implement a code of conduct for suppliers in line with the United Nations Supplier Code of Conduct.**

49. UNRWA informed the Board that the latest version (June 2006) of the United Nations Supplier Code of Conduct was available and it was coordinating with the Office of the Legal Adviser to determine the best methodology for distribution and implementation of the Code to its vendor community.

Procurement lead times

50. The Board reviewed various key processes embedded in the procurement process, from the placement of requisitions to the delivery of items and the payment of items procured. The UNRWA procurement plan for the biennium 2004-2005 set forth lead time guidelines in respect of the procurement process.

51. The Board noted that the proposed lead time between requisition for purchases and the actual capturing of purchase orders had exceeded the three-month guideline by 4 to 10 months in some instances. In respect of purchase orders captured on the system, the guideline for approval of purchase orders within one month had been exceeded by three to seven months.

52. The lengthy lead times in respect of the acquisition of goods and services could impact negatively on the efficiency of UNRWA operations. The Board further noted that there was no monitoring of actual lead times against the guidelines set forth in the procurement plan. UNRWA informed the Board that the Reality procurement system did not facilitate proper monitoring of the lead times and that the problem would be corrected in a future procurement system.

53. **UNRWA agreed with the Board's recommendation to evaluate the reasons for the lengthy procurement lead times and take appropriate action to reduce them, in line with the set guidelines. The Board further recommends that UNRWA monitor the procurement lead times on an ongoing basis and ensure that corrective actions are taken accordingly.**

9. **Human resources management**

Human resources plan

54. In accordance with the programme budget for the biennium 2004-2005, the international staff and area staff establishment was 148 and 26,242 respectively. In view of the number of staff, it was important for UNRWA to have a human resources plan in order to manage resources efficiently and effectively to achieve the strategic objectives of the Agency. A human resources plan integrates various

[6] Res 02, December 2005.

aspects of the management of staff, systems and practices that impact on the entity's results. It provides a framework for human resources issues to be dealt with in a more strategic, comprehensive and fully integrated way that is aligned to core business activities.

55. Although UNRWA had a number of human resources-related regulations, rules, policies and directives, it did not have a comprehensive and detailed human resources plan. Terms of reference for a strategic human resources task force had been drafted and once they were signed by the Commissioner-General, UNRWA expected to conduct an Agency-wide review to address its strategic requirements.

56. The Human Resources Planning and Development Division, which was responsible for the preparation of the human resources plan, had been established in May 2004 and fully staffed by July 2005. The new Division encompassed both planning and development. In the absence of the plan, appropriate staff capacity and the competencies necessary to perform the various functions to achieve the overall strategic objectives, might not be planned, in place, evaluated, monitored or improved on a structured basis. UNRWA informed the Board that under its three-year organization development internal management reform plan (presented in draft to the Advisory Commission on 20 June 2006) the Agency would embark on a reform of its approach to human resources management.

57. **UNRWA agreed with the Board's recommendation to expedite the compilation and implementation of a comprehensive human resources plan.**

Training/learning system

58. In order to build human resources capacity for the future, it is necessary to define the core competencies required of all staff, namely, the combination of skills, personal attributes and behaviour that should characterize the Agency's staff. The Agency's core organizational and managerial competencies should be defined and validated in order to promote shared values and common standards. This would facilitate the Agency's organizational capacity, integrate the competencies into the human resources system and develop a culture of continuous learning. These goals could be achieved through establishing a training plan for the Agency.

59. UNRWA indicated that it was not the intention of the Agency to have a centralized training function that planned and delivered all training Agency-wide. The technical and general training conducted within the Agency was planned and conducted by each field office and within headquarters by each department and/or division.

60. The Board reviewed the training functions at the Gaza Strip and Jordan field offices and noted that both of those field offices had presented a schedule of courses (entitled "Training plan 2005") with various logistical details included, together with an attached e-mail of the costs for the courses. That schedule had not been based on the training needs analysis prepared by headquarters. Training needs had not been identified during performance appraisals and the staff members had also not been consulted in that regard.

61. Furthermore, no training budget had been prepared for the biennium 2004-2005 in respect of the Jordan field office. An ad hoc allotment of $41,500 had been requested on 11 April 2005 and the budget adjustment was effected accordingly. The

absence of an overall training plan could create issues of inconsistent approach to training by the field offices and duplication of efforts.

62. **UNRWA agreed with the Board's recommendation (a) to develop a comprehensive training plan based on a formalized needs assessment, and (b) to allocate an appropriate budget allotment based on identified training needs.**

Overtime

63. In accordance with paragraph 4 of area staff rule 101.3, authority was vested in the field director, to instruct and authorize field staff members (grades 6 to 12) to work overtime subject to the availability of funds and prior authorization. The Board noted that no prior authorization for overtime worked had been obtained in respect of overtime payments of $17,005 effected to 20 staff members at the Jordan and the Gaza Strip field offices. While that amount might not be material, the control required was considered to be significant.

64. **UNRWA agreed with the Board's recommendation to ensure that prior approval is obtained for overtime work and paid to staff members in line with area staff rule 101.3.**

65. UNRWA informed the Board that in any cases where overtime had been granted without the necessary authority, the Agency would endeavour to obtain the appropriate approvals or recover the required amounts.

66. In terms of paragraph 5C (iii) of area staff rule 101.3, compensation for authorized overtime actually worked shall take the form of compensatory time-off for staff in grades 13 to 20. At the Gaza Strip field office, staff members beyond grade 12 had been paid overtime of $149,451 during the biennium 2004-2005. The payment of the overtime had been approved by the Director of Administration and Human Resources by means of an inter-office memorandum dated 20 December 2000, which was to continue in effect until further notice.

67. UNRWA informed the Board that paragraph 5C (iii) of area staff rule 101.3, was actually part of personnel directive A/1 Rev.1/Amend.1, Part III. That was a significant distinction, because the Director of Administration and Human Resources issued personnel directives and, as a matter of practice, amended those directives and made exceptions to them when appropriate.

68. The Board noted, however, that amendments to rules required the approval of the Commissioner-General for exceptions. Paragraph three of area staff rule 101.3 states specifically that the Commissioner-General had the discretion to decide whether the compensation would be in the form of cash payments or compensatory time-off. Written delegation of that function to the Director of Administration and Human Resources could not be provided to the Board.

69. UNRWA explained that it was the practice for Director of Administration and Human Resources to exercise such functions without written delegation. Accordingly, UNRWA was of the view that the exceptions to the overtime provisions in the personnel directive of 20 December 2000 were valid.

70. **UNRWA agreed with the Board's recommendation (a) to comply strictly with the area staff rules relating to overtime payments, and (b) to delegate authority in writing to the appropriate officials.**

71. UNRWA informed the Board that it was in the process of updating its rules and regulations in respect of approving authorities with the objective of eliminating ambiguity regarding authority for granting overtime.

Vacancy rate

72. UNRWA considered a 5 per cent vacancy rate as an acceptable norm and endeavoured to fill vacancies within three months. At the Gaza Strip field office, 52 (41 per cent) of the 126 posts had been vacant for more than three months. Similarly, 66 (29 per cent) of the 225 posts had been vacant at the Jordan field office for more than three months. Some of the vacancies had not been filled for more than six months. Posts that were vacant might have a negative impact on operations.

73. UNRWA informed the Board that it had instructed the field offices to provide regular reviews of vacant posts, at least every six months. Needs analyses and evaluations of established post requirements would ensue, followed by corrective action if needed. The field offices implemented a variety of strategies to fill vacant posts in a timely manner despite the extraordinary circumstances under which some of them were forced to operate.

74. **The Board recommends that UNRWA continue its efforts to fill posts within the set targets.**

Succession planning

75. The Board had previously recommended[7] that UNRWA formalize the process of succession planning. The Board noted that although UNRWA had been reviewing strategies for succession planning, the opportunities for staff rotation and transfers were limited owing to the nature of the operations, namely, that the areas of operations were scattered within the region, some duty stations experienced frequent emergency situations, and the prevailing political and security situation in the region limited the movement, transfer and rotation of staff.

76. UNRWA informed the Board that although there was no policy in place, the area staff members were allowed special leave without pay to take up secondments with other United Nations organizations for one year and then to return to UNRWA. Succession planning was also part of the ongoing human resources strategy.

77. **UNRWA agreed with the Board's reiterated recommendation to formalize the process of succession planning.**

Performance management system

78. The Board had previously recommended[8] that UNRWA consider initiating personal development plans. Although training did take place at UNRWA, there were still no personal development plans for individual employees against which they could evaluate their own growth and development.

79. Regular review of the personal development plans would enable the employee to measure personal growth, and the organization would be able to measure organizational growth. Such plans should detail the competency gaps identified

[7] See *Official Records of the General Assembly, Fifty-ninth Session, Supplement No. 5C* (A/59/5/Add.3), chap. II, para. 185.

[8] See ibid., *Fifty-ninth Session, Supplement No. 5C* (A/59/5/Add.3), chap. II, para. 189.

from the results of the performance assessment process. Individual personal development plans should address both the proactive and the reactive steps necessary to address the competency gaps identified.

80. **UNRWA agreed with the Board's recommendation to compile personal development plans for all staff as part of the performance appraisal process.**

10. Results-based management

Policies and procedures

81. Results-based management requires a coherent framework for strategic planning and effective management of performance by defining realistic expected results, monitoring progress towards the achievement of expected results, integrating lessons learned into management decisions and reporting on performance.

82. UNRWA management of the results-based budget was reflected in the programme budget for the biennium 2004-2005, including programme objectives, each with a set of expected accomplishments, key performance indicators; measurement; planned activities and financial resources; explanations for variances; reporting process within each programme; and periodic reviews of the budget and the key performance indicators.

83. Guidance on results-based budgeting and management had formed part of the major planning and budgeting assumptions for the biennium 2006-2007. However, the Agency did not have policies/directives/guidelines to implement and sustain results-based management. The policy should include a communication strategy to facilitate proper understanding of results-based management among all role players.

84. **UNRWA agreed with the Board's recommendation to establish policies and procedures on results-based management to provide for strategic planning, setting of targets, monitoring processes, promoting effective management decisions and reporting on performance.**

Data collection and collation

85. Data collection and presentation were not always consistent or standard throughout the Agency. At the field offices, processes were largely manual while the consolidation at the head office was computerized. Validation of information was expected at the lower levels, but it was stronger at the head office, from where referrals were made to the field to double-check information. A portfolio of evidence was not maintained as a means of validation of results. Reliable management information is critical to monitor and evaluate achievement of key performance indicator targets. UNRWA informed the Board that computerization of data collection was being addressed as a component of the information management reform.

86. **The Board recommends that UNRWA (a) computerize its data collection and collation, (b) implement structured data validation at the appropriate level, and (c) standardize the presentation of data for the Agency.**

Financial Management System reconciliation

87. The stores usage accounts were not updated on a timely basis, which resulted in the Financial Management System information not agreeing with the stores

records maintained in the Reality system. As the budget review was based on the Financial Management System records, a meaningful assessment of such records was not possible, and proper management and corrective action, if necessary, might not be implemented. As underspending was justified on the basis of the differences between the general ledger of the Financial Management System and the stores records on the basis of the Reality system, underlying root causes or genuine underspending might be overlooked. Accurate and reliable management information is a prerequisite for effective decision-making to achieve desired results.

88. **The Board recommends that UNRWA update the Financial Management System on a timely basis and reconcile it with the Reality system to ensure accurate information that is of value to management.**

89. UNRWA informed the Board that it was in the process of acquiring a new procurement and inventory package which should replace the Reality system. The new system was expected to agree at all times with the Financial Management System without the need for reconciliation.

Field offices performance targets

90. The actual achievement of the field offices, as recorded in the mid-biennium review report, was measured against the targets for the Agency as a whole. In the absence of targets for the field offices, the review/monitoring and remarks by the field office in respect of its performance were not as meaningful. Although a review of the performance for the Agency as a whole was done through the consolidation of the field office inputs, the lack of performance by a respective field office might not be identified. It might be possible for the overall performance to exceed targets but individual field offices to be underperforming. Furthermore, root causes might not be identified as those might be localized in the respective field offices.

91. The education programme targets for the field offices in most instances reflected the Agency targets, for example, the target for number of students receiving instruction in human rights, tolerance and conflict resolution was 24,000 for the Agency. In a few cases it differed, for example, the number of new courses introduced/replaced had a target of 26 for the Agency, which was also recorded as the target for the Jordan field office, while the Gaza Strip field office showed a target of one. However, with regard to the health programme, the Gaza Strip field office indicated field and agency targets, while the Jordan field office disclosed the Agency targets. The inconsistency made management processes and decision-making difficult. There was also the risk that an incorrect conclusion might be drawn (for example, misleading positive feedback obtained).

92. UNRWA confirmed that the current system tracked, for the most part, the key performance indicators for the Agency as a whole, rather than by field office. Significant additional data-collection efforts would be required to implement tracking by field office, as the number of monitored indicators would increase dramatically (i.e. from 283 to 1,415). The staffing and systems required to implement that would need to be explored as part of ongoing system development.

93. **UNRWA agreed with the Board's recommendation to evaluate the performance of field offices against those offices' own targets and to report thereon accordingly.**

Mid-biennium budget review

94. The engineering and construction services subprogramme for the Jordan field office had recorded a baseline figure of 2 and a target of 1.5 for the key performance indicator relating to the number of variation orders, per project, resulting from discrepancies in tender documents. The target was not measurable or realistic, as it related to a fraction of a number (i.e. 1.5), while the result could only be measured in whole numbers (i.e. the number of variation orders). Furthermore, although the unit of measure was numeric, the actual result of three variation orders was not recorded. Instead the actual result of the three variation orders was expressed as a fraction over the total completed contracts of 16, equating to 0.20, which fraction was recorded as the result. This indicated incorrectly an overachievement of the target.

95. No review comments on possible underachievements were given in respect of the education programme in the Jordan field office. Some examples were the drop-out rate, repetition rate, and instruction in human rights and the number of short-term courses conducted in the local community. Management comments would be necessary to understand and to place into perspective the actual results and the nature of corrective actions that might be necessary.

96. A large number of targets had been achieved by mid-biennium for the health programme for the Agency as a whole. For example, for the total number of family planning acceptors, actual achievement was 100,000 against the target of 95,000; and for number of persons assisted towards the cost of prosthetic devices, actual achievement was 10,100 against the target of 1,500. For the education programme, it was also noted, for example, that the target of 24,000 had been well exceeded: the actual number of students receiving instruction in human rights, tolerance and conflict resolution for the Agency had been 118,655. The assumption that could be drawn was that the target had been possibly unrealistic and set too low. The target had not been reviewed and adjusted for the second term of the biennium.

97. Benchmarks were not in place, but the technical section at headquarters in Amman had conducted an investigation and a report was due. The absence of policy and proper structuring of processes and systems, inconsistent reporting and the lack of clearly defined responsibilities had created an environment that was not conducive to results-based management. Management of performance to achieve results might be impacted negatively, thus affecting operations.

98. UNRWA informed the Board that results-based management was work in progress, and the range of objectives, activities and achievements was reviewed and fine-tuned twice a year. More specifically, policies and procedures to implement results-based management fully were being discussed internally. The possibilities for training in results-based management were being explored. Regarding the computerization of data collection and the establishment of validation processes, UNRWA would seek to ensure full system integrity, within the constraints imposed by inadequate staffing levels, funding and computerized systems. UNRWA currently measured performance through the use of baseline figures established at the beginning of a biennium, against which achievement of expected accomplishments were measured. In the context of the budget preparation process for the biennium 2008-2009, UNRWA would explore the possibility of using benchmarks rather than baselines and the consequences thereof in terms of systems, personnel, and budget needed to undertake the conversion.

99. **UNRWA agreed with the Board's recommendation to compile a project document with an action plan, including time frames and responsibilities, for the full implementation of results-based management.**

11. Programme and project management

Project management policy

100. A formalized strategy, by way of policies/directives/guidelines, to implement and sustain project and programme management was not in place for all projects of UNRWA. The project procedure manual was applied only to projects funded specifically by donors; the manual, however, could also be adjusted to apply to other projects as well.

101. Project plans, interim reporting and final reporting took place only for donor-funded projects. There was no structured coordination or reporting of general funded projects or even of some general funds that were used together with donor funding. Training initiatives to address competencies required to manage projects were not in place. Such initiatives would facilitate the consistent use of the project management concept in all of the various field and headquarter offices.

102. Responsibility for the process and coordination of projects until finality was not clearly defined. Staff had different perceptions in that regard. Some held the view that the responsibility was vested with the chiefs of the respective programmes in each of the field offices, the project officers, programme directors, field directors and even instituting departments. Paragraph 3(A) of the post description for projects officer makes reference to their duties for all projects in the field. According to the projects officers in the Gaza Strip and Jordan field offices, they have been responsible for the donor-funded projects only. There was an agreement, however, that all projects should be managed to finality. It was probably reasonable to presume that the project officers were the most competent to manage projects. The lack of adequate project management was evident with regard to the nursing laboratory in Jordan, which had commenced training, but with only part of the equipment being delivered on time. This gap in project management meant that the laboratory had not been properly equipped to provide effective training at the time of its completion, which resulted in additional costs being incurred to utilize alternate facilities.

103. There was inconsistency in the reporting process. Progress reports between the field offices were not consistent in terms of format and information furnished. For example, monthly progress reports in respect of engineering and construction services, dated 7 April 2005, for the Gaza Strip field office contained much more detail than the report from the Jordan field office for February 2005. A monthly report by the project officer on the implementation of field projects by the Gaza Strip field office was circulated to all division heads for validation of the data, adjustments and information purposes. This reporting was yet to be implemented at the Jordan field office, where a more informal discussion took place between the deputy field director and the recently appointed project officers.

104. **UNRWA agreed with the Board's recommendation (a) to adopt a policy covering the management of all projects, and (b) to set out the responsibilities of all role players, as well as the competencies and training required.**

105. UNRWA informed the Board that its new organization development strategy included the need to establish a programme management cycle that would provide an integrated, comprehensive, strategic and results-based approach to the way programmes, projects and activities were managed.

Lessons learned

106. Lessons learned were noted only in respect of donor-funded projects in the final report. Insofar as the general fund projects were concerned, there was no documentation of such lessons in order to prevent repetition of problems or difficulties. Neither a formal structure nor a database was in place to have all lessons learned, including those in other field offices, duly considered in the planning of projects. Thus, insofar as non-donor-funded projects were concerned, the knowledge of the project officers was relied on to take into cognizance some of the lessons learned. For example, it was noted in the minutes of the annual field engineering and construction services officers meeting, held in Jordan in November 2004, that the difficulties of the previous year continued to occur from time to time with regard to the need to update specifications for building works, the need for specificity in the Agency's conditions of contract for dealing with claims and notices served by contractors, and the effect of price fluctuations in major construction materials, such as cement and steel reinforcement, on contracts of a duration period over nine months.

107. **UNRWA agreed with the Board's recommendation to carry forward all lessons learned through appropriate reporting in order to facilitate access and quick reference.**

12. Treasury and cash management

Investment Review Committee

108. The Board had previously recommended[9] that UNRWA establish terms of reference for the Investment Review Committee to govern formally the functions of the Committee to review investment policy, asset allocation, strategy, currency and interest rate risk management as well as other investment matters. As of June 2006, the draft terms of reference for the Committee were awaiting final review and approval by the Commissioner-General.

Risk management — liquidity risk

109. The Board had previously recommended[10] that UNRWA update the treasury technical instructions to specify that cash from each fund group could not be used interchangeably to meet cash flow requirements without prior approval from the Commissioner-General. The Board noted that in the biennium 2004-2005, the technical instructions had not been updated in that respect.

110. **The Board reiterates its recommendation that UNRWA update the treasury technical instructions to specify that cash from each fund group cannot be used interchangeably to meet cash flow requirements without prior approval from the Commissioner-General.**

[9] See ibid., *Fifty-ninth Session, Supplement No. 5C* (A/59/5/Add.3), chap. II, para. 60.
[10] See ibid., *Fifty-ninth Session, Supplement No. 5C* (A/59/5/Add.3), chap. II, para. 74.

13. Microfinance and microenterprise programme

Background

111. Since June 1991, the UNRWA microfinance and microenterprise programme in the West Bank and the Gaza Strip had aimed to help promote small business development, create employment, improve the income of microenterprises and reduce poverty. The programme did this by establishing a number of credit products targeting small businesses, microenterprises and women. The programme was organized around four revolving loan funds in the Gaza Strip and two in the West Bank that supported businesses varying in size from a microvending enterprise, for example, employing just one or two individuals, to small industries. The programme aimed to satisfy a variety of needs such as capital funding and working capital financing.

112. The microfinance and microenterprise programme had moved from a model of programme management to product management, by which it no longer referred to the funds for each programme as separate revolving loan funds. All revolving loans currently entered one capital fund in each field, which was used according to the outreach requirements for each product. Donors, however, could still allocate funds for a specific product.

Audit of annual financial statements

113. The financial statements of the microfinance and microenterprise programme were compiled in conformity with International Financial Reporting Standards. The Board issued a separate short-form audit report to UNRWA in respect of these financial statements for the year ended 31 December 2005.

Products offered

114. The microfinance and microenterprise programme disbursed funds to borrowers under four credit programme categories. These were the small-scale enterprise credit, solidarity-group lending, microenterprise credit and consumer-lending product. Table II.3 provides a brief summary of the loans issued in each category.

Table II.3
Summary of loans by product
(Thousands of United States dollars)

Net loans receivable	*2003*	*2004*	*2005*
Microenterprise credit	2 453.5	4 030.2	5 620.9
Small-scale enterprise credit	521.1	547.6	559.3
Solidarity-group lending	809.1	1 016.5	1 268.8
Consumer-lending product	117.8	190.1	570.3
Total	**3 901.5**	**5 784.4**	**8 019.3**

Provision for bad debt

115. The bad debt policy of the microfinance and microenterprise programme was documented in financial technical instruction No. 42. In terms of the policy, provision for bad debt should be made on the basis of an aged portfolio-at-risk

report that made provision for bad debt on the total amount outstanding on the loan (principal amount only). Bad debts were provided for on a sliding scale related to the ageing of debtors. The risk or circumstances related to a specific loan or area in which the fund functions were not taken into account. In terms of paragraph 5 of financial technical instruction No. 42, when previously written-off loans were recovered, the full amount recovered should be recorded as revenue in the income statement.

116. The Board analysed the amounts of bad debts written off and subsequently recovered and recognized as revenue. The analysis, as summarized in table II.4 below, indicated that the policy used by the microfinance and microenterprise programme to determine the level of bad debt might be overly conservative. The provision for bad debt for the programme was, therefore, considered excessive. As indicated in table II.4, on average 30 per cent per annum had been overprovided for bad debt since the 2003 financial year.

Table II.4
Overprovision for bad debt (2003-2005)
(United States dollars)

Year	2003	2004	2005
Provided: 1 January	1 276 519	1 302 143	1 036 073
Actual written off	820 303	289 000	732 168
Over/(under) provided	447 136	102 243	303 905
Overprovided (percentage)	35.03	26.05	29.33

117. The analysis in table II.5, by loan type, further indicates that the current policy was not sufficient, as other risk factors associated with geographical area and loan type had not been factored in. The analysis also supports that the current policy concerning provision for bad debt made in relation to the amounts written off, appeared to be overconservative, for example with regard to Small-scale enterprise and Solidarity-group lending loans.

Table II.5
Analysis of provision compared to actual bad debt (per loan type) 2005

Loan type	Provision for bad debt 2005	Actual bad debt written off 2005	Over/(under) provided	Over/(under) provided (percentage)
Small-scale enterprise	156 727	13 890	142 837	91.14
Microenterprise credit: Gaza Strip	245 089	185 886	59 203	24.16
Microenterprise credit: West Bank	449 042	391 540	56 902	12.70
Microenterprise credit: Gaza Strip	32 823	42 009	(9 186)	(28.81)
Microenterprise credit: Syrian Arab Republic	5 975	3 432	2 543	42.54
Solidarity-group lending	124 475	59 010	65 465	36.53
Consumer-lending	21 025	36 281	(6 544)	(39.39)
Total	**1 036 974**	**732 168**	**303 906**	**29.33**

118. The current accounting practice resulted in the overstatement of both expenditure and income in the financial statements in a scenario in which provision for bad debt was set at a high level. In view of the nature of the flow of transactions, the adjustments of the level of the provision for bad debt and the recovery of written-off loans (revenue) would not necessarily occur in the same financial year. That would distort the financial results of a particular year.

119. UNRWA agreed that its bad debt policy might be conservative but noted that it would seem to be quite appropriate for certain countries in which it operated, owing to the political and economic conditions. The policy adopted by the microfinance and microenterprise programme concerning the ageing of portfolio, provisioning ratio and write off was based on following best practice criteria outlined by the microfinance industry rating agencies. UNRWA concurred that those criteria might not be entirely appropriate for the conflict conditions prevailing in certain of its areas of operations.

120. **UNRWA agreed with the Board's recommendation to revise its accounting policy for the treatment of provision for bad debt of loans, taking into account the type, geographical distribution and all risk factors affecting the recoverability of the loans.**

Investment income

121. The annual financial statements of the microfinance and microenterprise programme were prepared on the basis of International Financial Reporting Standards. By implication that would require the application of the accrual assumption that the effects of transactions and other events be recognized when they occurred and not as cash or its equivalent was received or paid.

122. The Board noted an exception to the general policy with respect to accounting for interest on loans, which was recorded on the cash basis of accounting. The accounting policy stated that owing to the nature of the programme and the short maturity of the portfolio, as well as the conservative provisioning policy, the cash basis of accounting for interest revenue was not materially different from the accrual basis required under International Financial Reporting Standards.

123. The accounting policy governing interest on loans at the programme thus had the effect of loans being stated at the amount of the outstanding principal reduced by an allowance for loan losses, which was calculated on a sliding scale based on the ageing details of debts. Hence, no accrual for interest was reflected in the accounting records of the entity and the associated debt was not increased on a monthly basis for the duration of the loan.

124. UNRWA informed the Board that the change from the cash basis of accounting to the accrual basis of accounting had both policy and system implications that needed to be resolved before such actions could be affected. In order to calculate the accrued interest income there would be a need to establish a policy on the period that the interest income was to be accrued on past loans before it was suspended. The change to the accrual basis of accounting would further require systematic adjustments to the chart of accounts in the Agency's Finance Management System to duly record/suspend accrued interest, and would also require designing new report elements on the loan management information system of the microfinance and microenterprise programme to report and record accrued interest properly.

125. The Board noted that the financial effect of the departure from International Financial Reporting Standards in respect of the recognition of investment income was not material. Interest income was estimated to be understated between $21,690 to $80,294, depending on the interest charge policy for the year ended 31 December 2005. Based on recommendations from the Board, appropriate disclosure of that departure had been made in note 2 (c) of the financial statements.

126. **The Board recommends that UNRWA revise its accounting policy for the microfinance and microenterprise programme and implement the necessary adjustments to the Financial Management System to facilitate the accrual of investment income and compliance with International Financial Reporting Standards.**

127. UNRWA informed the Board that it would revise the accounting policy of the microfinance and microenterprise programme once it had considered all system and policy implications of the move to the full accrual basis. That was planned to take place in 2006.

14. Area Staff Provident Fund

Background

128. The Area Staff Provident Fund is a scheme established in 1955 by the Commissioner-General for the purpose of providing benefits to eligible local staff members upon their separation from service and placed under the administration of the UNRWA Treasurer. Its secretariat was established on 1 January 1990.

129. Eligible staff members make a monthly contribution to the Provident Fund of 7.5 per cent of salary, with UNRWA contributing an additional 15 per cent thereto. Membership in the Provident Fund is available to area staff only, since international staff pension benefits are provided for by the United Nations Joint Staff Pension Fund.

130. The Provident Fund had 26,696 members as at 31 December 2005 (24,660 as at 31 December 2003). It comprises three functional groups namely, the Provident Fund Secretariat, the Provident Fund Committee and the Investment Advisory Committee.

Audit of annual financial statements

131. The financial statements of the Area Staff Provident Fund were compiled in conformity with International Financial Reporting Standards. The Board issued a separate short-form audit report to UNRWA in respect of those financial statements for the year ended 31 December 2005.

Humanitarian loans to members

132. The Board noted that as at 31 December 2005, there were 18,878 humanitarian loans due from members of the Area Staff Provident Fund, amounting to $46,487 million (2004: $46,739 million). Humanitarian loans were defined as loans and receivables as per the financial asset categorization in IAS (International Accounting Standards) 39,[11] which required the initial measurement of loans and

[11] *Financial instruments: recognition and measurement.*

receivables at fair value plus transaction costs and the subsequent measurement thereof at amortized cost using the effective interest rate method, with gains and losses recognized in the income statement. The Board noted that humanitarian loans provided to members had been accounted for at historical cost and not at amortized cost.

133. The Area Staff Provident Fund informed the Board that the financial systems that were in place did not facilitate the calculation of loans at amortized cost and hence the Provident Fund was unable to calculate accurately the amortized cost for each of the 18,878 loans outstanding at year end. It was further indicated to the Board that the feasibility of the system changes required to facilitate compliance with IAS 39 would be considered in the 2006 financial year.

134. It was estimated that the overall effect of the deviation from IAS 39 was a $1.4 million overstatement of the outstanding balance for humanitarian loans to members and the liability of restricted members' credits on loans. The Board considered the overall effect of the deviation from IAS 39 as not material in comparison to the $1 billion total assets of the Provident Fund for the year ended 31 December 2005.

135. **The Board recommends that the Area Staff Provident Fund make the necessary process changes in order to recognize humanitarian loans at amortized cost and ensure compliance with IAS 39.**

15. Information and communication technology

Summary of conclusions

136. UNRWA had purchased and developed a number of applications systems. The Board, therefore, deployed specialist information and communication technology audit expertise, the results of which are detailed in the paragraphs that follow. In summary, the Board made the following observations:

(a) No concise, complete and approved change control process existed for emergency changes;

(b) No change control committee existed to manage the volume of changes being made to the information and communications systems;

(c) No disaster recovery plan existed;

(d) No information and communication technology security policy existed;

(e) Improved controls were required to monitor logical access security control;

(f) The auditing feature, the logging of policy changes and the account management events on the domain controller had not been enabled;

(g) The remote access service controls to limit the exposure to security risk were not in place.

Financial Management System

137. UNRWA had purchased the Financial Management System in the biennium 2002-2003. It had been tailored by the vendor, in consultation with UNRWA staff, to meet the requirements of UNRWA. The System was being implemented on a module

basis, and the general ledger, budget, creditors, trial balance, accounts receivable and cash management modules had already been implemented.

138. The System was processing on average 5,000 to 6,000 transactions per month. Data entry was decentralized, as each field office and headquarters entered their own data to a central server located in Amman. The System interfaced directly with the Human Resources Management and Payroll System.

Human Resources Management and Payroll System

139. UNRWA had purchased the Human Resources Management and Payroll System in the biennium 2002-2003. It had been tailored by the vendor, in consultation with UNRWA staff, to meet the requirements of UNRWA. The System was implemented in January 2002. It was processing, on average, 26,000 transactions for the monthly payroll. In addition, there were approximately 10,000 supplementary transactions, including the addition, deletion, and modification of payroll data. The Area Staff Provident Fund was incorporated as a module. Data entry was also decentralized.

Reality system

140. The Reality system was used for procurement and had been implemented in 1993. The system was processing, on average, 14,000 transactions a month. The system interfaced with the Financial Management System. Data capturing took place online with batch processing.

Application contributions system

141. This system, which had been developed in-house, was used for monitoring donor contributions. It was implemented in 1993. The system processes approximately 50 transactions a month. The system had been integrated with the Financial Management System. It was used as a database by the Department of External Relations.

Change control procedures

142. All changes that affect the information and communication technology production status quo should be regulated by a concise, complete and approved change control process, to ensure that interruptions do not adversely affect business operations. An approved and promulgated change control process also aids management to regulate and plan information and communication technology changes, and to understand the impact of the changes and how to recover to the initial point if failure occurs after the change has been implemented. UNRWA system users submitted an application modification request form when requesting changes to be made to the application systems in use. In addition, the UNRWA application development applied methodology had been finalized and approved in December 2004.

143. The Board conducted an evaluation of the change control procedures in place for the systems in order to determine if all changes were documented and monitored properly and if tests had been conducted. The Board noted the following:

(a) Although the application modification request forms were used, certain approvals for changes, for example, with regard to medical insurance, were made at

the field offices without consultation with the project manager to determine whether it was possible to effect the required changes within the approved time frame. Such changes were mainly applicable to the Human Resources Management and Payroll System;

(b) The Financial Management System and the Human Resources Management and Payroll System were not yet signed off by management; emergency changes, therefore, were regarded as part of the implementation process, instead of maintenance and support of application systems;

(c) No change control committee existed;

(d) Changes to the Financial Management System and the Human Resources Management and Payroll System were managed by the project manager separately from the Information Systems Division.

144. Without the proper monitoring of detailed change control procedures, UNRWA faces the risk that it may not be able to ensure that the system changes are effected properly and that the changes are documented, authorized and tested before implementation.

145. UNRWA informed the Board that the control of application changes was enforced by the application development applied methodology process used by the Agency. The Financial Management System and the Human Resources Management and Payroll System would be subject to this control once system management was handed over to the Information Systems Division, which would be ready to participate in a change control committee.

146. **UNRWA agreed with the Board's recommendation to enforce (a) standardized procedures relating to requests for changes to the application systems; and (b) a concise, complete and approved change control process for emergency changes.**

147. **The Board further recommends that UNRWA establish a change control committee owing to the volume of changes being made to the information and communications systems.**

Disaster recovery procedures

148. The Board had previously recommended[12] that UNRWA implement adequate back-up procedures as part of a disaster recovery plan and that it develop and approve a comprehensive disaster recovery plan, communicate it to all personnel, test it regularly and review and update it regularly. The Board had also previously recommended[13] that UNRWA implement procedures to ensure that emergency changes could be performed without compromising system integrity or causing unnecessary delays in the business processes, and to ensure that adequate audit trails existed concerning those procedures.

149. A comprehensive disaster recovery plan would ensure that critical systems could be recovered in time to ensure that business operations could be resumed without considerable losses. Such a plan should cover the following:

[12] See *Official Records of the General Assembly, Fifty-ninth Session, Supplement No. 5C* (A/59/5/Add.3), chap. II, para. 220.

[13] See ibid., *Fifty-ninth Session, Supplement No. 5C* (A/59/5/Add.3), chap. II, para. 231.

(a) All business critical systems and applications that could have a negative impact on UNRWA operations;

(b) Provision for emergency, fallback and resumption standards and procedures;

(c) Determination by senior and user management of the critical business functions to be protected;

(d) Resources to ensure that the plan is established and that staff are aware of, and comply with, its contents;

(e) Assignment of responsibility for both development and implementation of the plan and the setting of target dates for these accomplishments;

(f) Feedback to management to ensure that the plan is workable and procedures are kept current;

(g) Established policies and procedures for the testing of the plan, including test schedules, test objectives and test review procedures;

(h) Retention of a copy of the plan off site;

(i) Incorporation of the plan in change management activities to ensure that the plan is updated regularly when hardware, middleware and software changes occur.

150. A comprehensive disaster recovery plan still did not exist at UNRWA despite funds being made available for this purpose in the information and communication technology strategic plan. Without an adequate disaster recovery plan, it might not be possible to recover critical systems in time to ensure that business operations could be resumed without considerable losses. The risk existed that the operation and maintenance of the UNRWA operating system could be disrupted for a considerable period of time should a disaster occur at the Agency.

151. UNRWA had an information and communication technology emergency preparedness plan developed by the Information Systems Division in November 2002. In addition, the Division had listed the development of a complete disaster recovery plan for all UNRWA information and communication technology services on its task list, but owing to a shortage of resources, progress had been slow. The Information Systems Division would propose adding this issue to the agenda of the next Information System Policy Advisory Committee (ISPAC) meeting, for assistance and guidance on how to proceed with a disaster recovery plan activity, as senior management commitment, involvement and support were required for the development and implementation of a complete plan.

152. UNRWA informed the Board that owing to a shortage of resources and the engagement of the information and communication technology security officer in the information security policy development activity, the disaster recovery plan had been put on hold pending the finalization of that activity. The policy was expected to pave the way for developing disaster recovery and business continuity plans.

153. **The Board reiterates its recommendation that UNRWA (a) develop, approve and promulgate a comprehensive disaster recovery plan and communicate it to all personnel; and (b) test, review and update its disaster recovery plan regularly.**

Information systems security policy

154. The purpose of an information and communication technology security policy and procedures is to support the organizational mission and goals by safeguarding its information and communication technology assets from threats in order to ensure continuity of operations, minimize damage and maximize service delivery. A comprehensive information and communication technology security policy had yet to be developed at UNRWA. In the absence of a security policy, the security objectives of UNRWA would not be met, and management would be unable to protect the Agency's information assets, and detect and report information and communication technology security violations that might compromise the integrity and confidentiality of data housed within UNRWA.

155. UNRWA had approved and issued an information security statement on 25 July 2005, and had established an information security working group. The security policy was at the stage of commencement as part of the Information Security Working Group terms of reference. The information and communication technology strategic plan provided for the establishment of the information and communication technology security plan, which was also budgeted for.

156. UNRWA informed the Board that its information security policy was under development through an Agency-wide multidisciplinary working group, which had been tasked to identify UNRWA information asset security requirements, identify risks and recommend mitigating actions, and develop the agency policy on information security. The working group's plan was scheduled to be completed by the first quarter of 2006.

157. **UNRWA agreed with the Board's recommendation to develop, approve, implement and update on a regular basis an information and communication technology security policy to enforce and regulate access to sensitive and confidential data and information.**

Domain accounts policy default settings

158. The following major shortcomings in the password and logon controls of the UNRWA domain accounts policy were identified:

(a) The minimum password length and the effective maximum password length were both set to zero, allowing users to use blank passwords;

(b) The maximum password age in days was set to zero, which meant that the password would never expire. Password changes were therefore not enforced;

(c) The password history size was set to zero. This determines the number of new passwords that must be used by a user account before an old password can be reused. Old passwords could thus be reused without restrictions;

(d) The password complexity setting was disabled and, therefore, users were not required to select passwords with a certain complexity level;

(e) The lockout threshold value, which indicates the number of failed logon attempts that are allowed before the user account is locked, was set to zero. At UNRWA, an unlimited number of failed logon attempts were allowed. Allowing an excessive or unlimited number of invalid logon attempts can compromise security and allow intruders to log on to the system.

159. A total of 2,696 active accounts were identified on the system of UNRWA, of which eight accounts had administrator rights. Of this, 2,354 (87 per cent) user accounts had not changed their password in the last 60 days and 1,926 (71 per cent) of these users, of which four had administrator rights, had not changed their passwords in the last 180 days. A total of 26 users, of which one had administrator rights, had invalid logon attempts greater than three. Consistently high values could indicate that an intruder was attempting to guess user passwords to gain access to the system.

160. The security settings on both the domain accounts policy and individual user account level thus appeared to be inadequate at UNRWA. The domain accounts policy settings were not utilized optimally by UNRWA to protect individuals from gaining unauthorized access to the network. Controls that reduced the risk of intruders gaining access to the system were disabled. The serious weaknesses identified in the domain accounts policy settings posed a high security risk as it made it possible for any individual in possession of a valid account name (user ID) to gain access to the system.

161. UNRWA informed the Board that it had initiated work on establishing account password and logon controls to be implemented and enforced via the domain accounts policy defaults. Technical instructions would be updated and published to reflect the new policy once the work was completed.

162. **UNRWA agreed with the Board's recommendation to revise its information and communication technology security in order to strengthen the computer environment logical access controls.**

Audit policy settings

163. Audit policy setting features can be used to record details of user and other activities in audit logs. The recording of this information enhances security by providing a powerful detective control and a historical analysis tool.

164. The Board noted that audit logs were not being maintained at UNRWA. The security auditing features had been disabled on the domain controller. Changes could, therefore, be made to the user accounts or groups, or user accounts and groups could be created, renamed or deleted without the knowledge of the security officer. Changes could also be made to the access rights of users, groups and trusted relationship policies without being detected. Unauthorized access could thus be gained to the network without being detected.

165. **UNRWA agreed with the Board's recommendation to activate the auditing feature and to log the policy changes and account management events on the domain controller.**

Accounts allowed to dial-in through remote access service

166. Remote access service allows users to access the UNRWA system remotely via modems. In general, multiple remote access service servers increase security risks simply because the number of external access points, which all require securing, is greater. The strength of general security and security on servers accessed via remote access service is an important factor in controlling the access risks. Remote access service also increases the risk of unauthorized access to the UNRWA system because the system is visible to a much larger number of potential intruders via the public

telephone network. The risk is greater if privileged users, such as administrators, are allowed access through remote access service.

167. There were 12 remote access service servers defined on the UNRWA network. Forty-nine users had permission to dial-in to the UNRWA domain through remote access service, of which 38 (78 per cent) were not called back[14] by the service. Six (12 per cent) of these users could set their own remote access service call-back[15] number and five (10 per cent) had their call-back number set by the Administrator. The remote access service security on the servers was regarded as inadequate since inappropriate security settings in the remote access service might create significant security exposures.

168. As a result of an internal information and communication technology risk assessment exercise, UNRWA had identified external networking access as a critical risk area. Resources were committed to close this gap and work on deploying secure technology, which was scheduled to be completed by the end of the first quarter of 2006.

169. **UNRWA agreed with the Board's recommendation to review the controls for remote access services so as to limit the exposure to security risk.**

Rights assigned to users/groups

170. The task of account administration was facilitated through rights assigned to groups and to individual user accounts. When rights are assigned to a group, the rights are assigned automatically to each user who is added to the group. Should these users or groups be given inappropriate rights, this could lead to an increased security risk.

171. The rights to the operating systems and logon service had been assigned to approximately 145 users at UNRWA. The right to adjust memory quotas for a process had been assigned to 11 user accounts. The ports that allow services were open on the network, thereby allowing users to log on. This can make the UNRWA network vulnerable to access via "sniffer" software, as these services allow user passwords in clear text format and provide useful information to possible intruders. The users' accounts that belong to the groups Syria field office-field administration officer-staff, administrators and backup operators have these rights assigned to them. Allowing users to log on as a service can also create the risk that intruders might obtain useful information that provides unauthorized access to the network and data.

172. **UNRWA agreed with the Board's recommendation to review the rights assigned to users/groups in order to limit the exposure to security risk on the network.**

[14] The remote access server call-back function should allow for the user dialling into the server to be automatically called back by the server and in so doing verify the authenticity of the user attempting to dial-in. Where the server calls back and cannot verify the user, then the user should automatically be disconnected. This is a crucial logical access control.

[15] The call-back number is the number that the remote access server dials back to in order to verify the user attempting to dial-in.

Access controls to the Financial Management System and the Human Resources Management and Payroll System

173. Levels of application access controls are used to create user identifications to allow access to a specific application and controls, for example, the use of passwords and the restriction of access rights to certain functions or menu items on the application system. A user can have the right to view, print, add, modify and delete.

174. The following weaknesses in the application-level security settings were identified at UNRWA:

(a) Passwords were not required to log on to the application; however, users with administrator rights used passwords;

(b) The password length was not restricted to a minimum length;

(c) No record was kept of the password history to prevent the user from using the same password;

(d) Records were not kept of when the password was last changed;

(e) A user could log on to more than one computer at the same time;

(f) Adequate access controls to the applications did not exist.

175. The possibility exists that unauthorized access could be gained to the critical financial systems utilized by UNRWA, as the logical access controls to the network and the access controls to the application systems appeared to be inadequate. Furthermore, data integrity could be compromised and an intruder could gain access to the applications to perform fraudulent transactions without being detected.

176. **UNRWA agreed with the Board's recommendation to implement adequate access controls on the application systems.**

16. Fraud and presumptive fraud

177. As required under the Financial Regulations and Rules of the United Nations, UNRWA had reported 11 cases of fraud and presumptive fraud to the Board for the financial period ended 31 December 2005. UNRWA informed the Board that it had not incurred financial losses in the four cases reported below under (b), (f), (i) and (j). The extent of potential losses for the cases reported under (c), (d), (g), (h) and (k) could not be determined, and the loss in the one case registered under (e) had yet to be determined by UNRWA since the case was still pending.

(a) A staff member had misappropriated $24,647 of UNRWA funds entrusted to her for paying hospital reimbursements to refugees and wages and other entitlements due to staff. The staff member's employment was terminated. An amount of $5,990 was recovered from the staff member's own contributions to the Area Staff Provident Fund. The balance of $21,882 was written off (see para. 36 above);

(b) A complaint was lodged that a staff member was alleged to be misappropriating funds from within and outside Lebanon. The matter was investigated and the staff member was not condemned, but his attention was drawn to standards for all United Nations staff. UNRWA indicated that there was no financial loss;

(c) An investigation was performed in respect of a teacher collecting money from pupils without keeping records and providing false information regarding amounts paid by pupils. UNRWA could not determine the monetary implications. The staff member's employment was terminated;

(d) An investigation was performed into unauthorized use of the UNRWA logo on documents by a staff member. In addition, the names of microfinance and microenterprise programme staff members were used without their consent and knowledge, and forged cheques were also used. The case was being handled by the UNRWA legal office. UNRWA could not determine the monetary implications;

(e) A staff member was found to be giving loans to closed projects. A reprimand letter was issued to the concerned staff;

(f) A staff member did not fully disclose all the facts concerning his status in the annual verification of dependency data form. UNRWA indicated that there was no financial loss. A letter of reprimand was issued to the staff member;

(g) A staff member directed a junior staff to place a plastic bag containing supplies belonging to UNRWA in his private vehicle. UNRWA could not determine the monetary implications. The staff member was accordingly disciplined;

(h) A social worker was found forging the signature of the social affairs officer in respect of two hardship cases in order to extend them. UNRWA could not determine the monetary implications. The social worker in question was served with a letter of censure combined with suspension without pay for one week, and his work performance was to be closely monitored;

(i) A complaint was received, in respect of the short quantity of lentils received by a beneficiary which was not in accordance with the requirements. The investigation revealed that this was due to an error in counting the number of measurement scales that had been given for lentils. The temporary staff member in concern was transferred to a different task. UNRWA indicated that there was no financial loss;

(j) An investigation was performed in respect of a temporary staff member that had signed two different working contracts for the same period, which meant that he was working at two places at the same time. The investigation concluded that the temporary staff member had not signed both contracts, but his relative had forged his signature and used his identification number without his knowledge. UNRWA indicated that there was no financial loss;

(k) A Board of Inquiry had been established to ascertain the facts relating to allegations regarding shelters being reconstructed by UNRWA that had been destroyed. The investigation was ongoing. The financial loss, if any, was yet to be determined.

C. Acknowledgements

178. The Board of Auditors wishes to express its appreciation for the cooperation and assistance extended to its staff by the Commissioner-General, senior officers of UNRWA and members of their staff. This cooperation and assistance was especially welcomed in view of the audit having to be performed from Amman during difficult conditions in the Middle East.

(*Signed*) Shauket A. **Fakie**
Auditor-General of the Republic of South Africa
(Lead auditor)

(*Signed*) Guillermo N. **Carague**
Chairman, Philippine Commission on Audit
(Chairman, United Nations Board of Auditors)

(*Signed*) Philippe **Séguin**
First President of the Court of Accounts of France

28 July 2006

Note: The members of the Board of Auditors have signed only the original English version of the present report.

Annex

Summary of status of implementation of recommendations for the financial period ended 31 December 2003[1]

Item	Year first reported	Implemented	Under implementation	Not implemented	Total	Reference in the present report
1. Financial reporting	2002/03			para. 29	1	paras. 22 to 23
2. Capital acquisitions, disposals and write-offs		para. 32			1	
3. Disclosure and presentation	2002/03		para. 34		1	paras. 18 to 21
4. Cash management		para. 36			1	
5. Bank reconciliations		para. 41			1	
6. Accounts receivable		para. 44			1	
7. Fixed assets		para. 47			1	
8. End-of-service benefits	2000/01			para. 51	1	paras. 33 to 35
9. Types of investments		para. 58			1	
10. Investment Review Committee	2002/03		para. 60		1	para. 108
11. Risk management	2002/03	para. 68		para. 74	2	paras. 109 to 110
12. Trading		para. 77			1	
13. Bank accounts		para. 80			1	
14. Cash management module		para. 86			1	
15. Microfinance and microenterprise programme Advisory Board		para. 101			1	
16. Access to financial information		para. 103			1	
17. Provident Fund presentation of financial statements		para. 113			1	
18. Role of the Provident Fund		para. 116			1	
19. Provident Fund secretariat		para. 118			1	
20. Provident Fund Investment Advisory Committee		para. 122			1	
21. Provident Fund Committee		paras. 125 and 128			1	
22. Provident Fund assets		para. 134			1	
23. Provident Fund: granting of loans		para. 141			1	
24. Provident Fund: calculation of average balances		para. 145			1	
25. Audit and Inspection Committee: composition		para. 150			1	
26. Audit and Inspection Committee: monitoring of audits		para. 153			1	
27. Audit and Inspection Committee: review of financial statements		para. 156			1	
28. Third-party reviews		para. 170			1	

Topic	*Year first reported*	*Implemented*	*Under implementation*	*Not implemented*	*Total*	*Reference to the previous report*
29. Human resources management: vacancy		para. 181			1	
30. Human resources management: succession planning	2002/03			para. 185	1	paras. 75 to 77
31. Human resources management: personal development plans	2002/03			para. 189	1	paras. 78 to 80
32. Human resources management: leave module		para. 192			1	
33. Training		para. 200			1	
34. Asset management		para. 206			1	
35. Procurement		para. 210			1	
36. Information and communication technology: strategy		para. 213			1	
37. Information and communication technology: security	2002/03		para. 216		1	paras. 154 to 157
38. Information and communication technology: disaster recovery plan	2002/03			para. 220	1	paras. 148 to 153
39. Information and communication technology: performance monitoring		para. 222			1	
40. Information and communication technology: system development life cycle		para. 225			1	
41. Information and communication technology: quality control		para. 228			1	
42. Information and communication technology: emergency change procedures	2002/03			para. 231	1	paras. 142 to 147
43. Fraud and related matters		para. 239			1	
Total						
Number		35	3	7	45	
Percentage		78%	6%	16%	100%	

[1] See *Official Records of the General Assembly, Fifty-ninth Session, Supplement No. 9C* (A/59/5/Add.3), chap. II.

Chapter III
Audit opinion

We have audited the accompanying financial statements of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), comprising statements 1 to 7, and the supporting notes for the biennium ended 31 December 2005. The financial statements are the responsibility of the Commissioner-General. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with the common auditing standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency and with the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Commissioner-General, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the audit opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the United Nations Relief and Works Agency for Palestine Refugees in the Near East as at 31 December 2005 and the results of its operations and its cash flows for the biennium then ended, in accordance with the United Nations System Accounting Standards.

Furthermore, in our opinion, the transactions of the United Nations Relief and Works Agency for Palestine Refugees in the Near East that have come to our notice and which we have tested as part of our audit have in all significant respects been in accordance with the Financial Regulations and legislative authority.

In accordance with article VII of the Financial Regulations, we have also issued a long-form report on our audit of the United Nations Relief and Works Agency for Palestine Refugees in the Near East.

(*Signed*) Shauket A. **Fakie**
Auditor-General of the Republic of South Africa
(Lead auditor)

(*Signed*) Guillermo N. **Carague**
Chairman, Philippine Commission on Audit
(Chairman, United Nations Board of Auditors)

(*Signed*) Philippe **Seguin**
First President of the Court of Accounts of France

28 July 2006

Note: The members of the Board of Auditors have signed only the original English version of the present audit opinion.

Chapter IV
Certification of the financial statements

9 May 2006

Pursuant to financial regulations 11.4 and 12.1 of the United Nations Relief and Works Agency for Palestine Refugees in the Near East, I have the honour to submit the consolidated financial statements for the Agency (including the microfinance and microenterprise programme) for the biennium ended 31 December 2005.

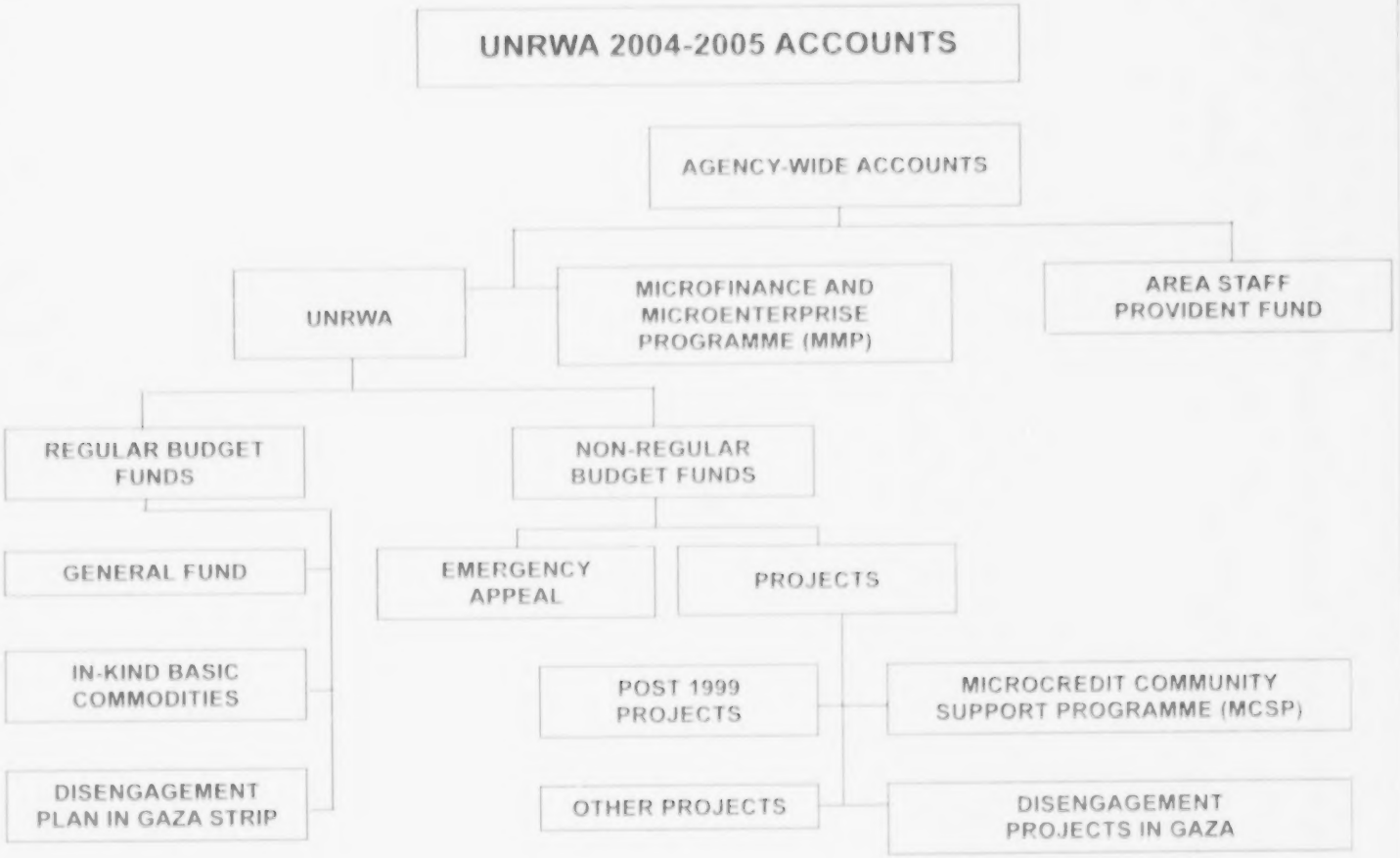
I certify that all transactions have been properly recorded in the accounting records and have been properly reflected in the Agency's financial accounts and appended statements, which I hereby certify as accurate and representative of the Agency's operating activities and the financial state of affairs as at 31 December 2005.

(*Signed*) Ramadan **Al-Omari**
Comptroller

Chapter V

Financial statements for the biennium ended 31 December 2005

A. Financial statements of the United Nations Relief and Works Agency for Palestine Refugees in the Near East for the biennium ended 31 December 2005


UNRWA 2004-2005 ACCOUNTS
AGENCY-WIDE ACCOUNTS
UNRWA
MICROFINANCE AND MICROENTERPRISE PROGRAMME (MMP)
AREA STAFF PROVIDENT FUND
REGULAR BUDGET FUNDS
NON-REGULAR BUDGET FUNDS
GENERAL FUND
IN-KIND BASIC COMMODITIES
DISENGAGEMENT PLAN IN GAZA STRIP
EMERGENCY APPEAL
PROJECTS
POST 1999 PROJECTS
OTHER PROJECTS
MICROCREDIT COMMUNITY SUPPORT PROGRAMME (MCSP)
DISENGAGEMENT PROJECTS IN GAZA

United Nations Relief and Works Agency for Palestine Refugees in the Near East

Statement of income, expenditure and changes in working capital and fund balances for the biennium 2004-2005 (in USD)

			Regular budget funds			Non-regular budget funds					
Biennium 2002-2003 all funds[a]	*Details*	*Note*	*Cash*	*In kind*	*Regular budget funds total*	*Emergency appeal*	*Projects*[b]	*Non-regular budget funds total*	*All funds*	*Miscellaneous and Management-service Programmes*[c]	*Grand total*
	Income	1[1]									
	Contributions										
802 341 413	Contributions by Governments		368 402 746	20 067 463	488 470 209	189 863 058	51 445 491	241 308 549	729 778 758	—	729 778 758
163 790 964	Contributions by inter-Governments		194 990 618	9 673 881	204 664 499	24 428 703	15 788 395	40 217 098	244 881 597	—	244 881 597
32 429 947	Contributions by United Nations agencies		35 258 400	2 154 366	37 412 766	53 620	208 402	232 022	37 644 788	—	37 644 788
22 345 735	Contributions by non-Governments		4 046	1 428 025	1 432 071	15 614 170	368 346	15 982 516	17 414 587	—	17 414 587
2 453 275	Contributions by other sources	5	572 448	2 165 977	2 738 425	473 318	45 851	519 170	3 257 594	—	3 257 594
823 361 334	**Total contributions**[2]		**699 228 258**	**35 489 712**	**734 717 970**	**230 402 870**	**67 856 485**	**298 259 355**	**1 032 977 325**	—	**1 032 977 325**
	Other income										
7 700 453	Miscellaneous income	6	4 734 879		4 734 879		292 671	292 671	5 027 550	5 313 712	10 341 262
16 971 741	Exchange gains/(losses)	7	(18 579 036)		(18 579 036)	(367)		(367)	(18 579 403)	6 202	(18 573 201)
24 672 194	**Total other income**		**(13 844 157)**	—	**(13 844 157)**	**(367)**	**292 671**	**292 304**	**(13 551 854)**	**5 319 914**	**(8 231 940)**
848 033 528	**Total income**		**685 384 101**	**35 489 712**	**720 873 813**	**230 402 503**	**68 149 156**	**298 551 658**	**1 019 425 471**	**5 319 914**	**1 024 745 385**
(824 598 908)	Expenditure[8]	1	(670 315 406)	(39 121 469)	(709 436 875)	(218 929 117)	(52 566 677)	(271 495 794)	(980 932 669)	(6 562 657)	(987 495 326)
23 434 620	Excess (shortfall) of income over expenditure		15 068 695	(3 631 758)	11 436 938	11 473 386	15 582 479	27 055 865	38 492 802	(1 242 743)	37 250 059
(4 794 891)	Adjustments[9]	16	11 242 765	(307 794)	10 934 971	1 943 872	7 233 274	9 177 147	20 112 118	(75 679)	19 936 439
18 639 729	**Net excess (shortfall) of income over expenditure**	**1.10**	**26 311 460**	**(4 039 552)**	**22 271 909**	**13 417 258**	**22 815 753**	**36 233 012**	**58 504 920**	**(1 318 422)**	**57 186 498**
9 121 571	Working capital as at 1 January 2004		32 253 893	—	32 253 893	—	—	—	—	32 253 893	—	32 253 893

Restated 2004	2005 All funds	Details	Note	Regular budget funds			Non-regular budget funds			All funds	Maintenance and Peacekeeping Programmes[2]	Grand total
				Cash	In-kind	Regular budget funds: total	Emergency appeal	Projects[3]	Non-regular budget funds: total			
(86 110 333)		Fund Balances as at 1 January 2005			3 330 519	3 330 519	17 683 930	33 316 231	51 000 161	51 330 680	(2 908 680)	74 933 495
		Reserve for exchange rate fluctuations 1 January 2005		10 000 000		10 000 000				10 000 000		10 000 000
		Working capital as at 31 December 2005		18 674 463		18 674 463				39 654 463		58 654 463
57 243 599		Fund balances as at 31 December 2005		10 410 491	198 967	10 609 458	17 100 131	33 831 390	50 931 521	279 333 241		329 111 240
(10 000 000)		Reserve for exchange rate fluctuations 31 December 2005										
(2 400 8641)		Retained earnings MMP 2005 MCSP						110 564	110 564	110 564	(4 122 602)	(3 621 5181)
117 187 389		**Total working capital and fund balances as at 31 December 2005**[4]		58 565 353	498 967	59 064 320	71 100 193	38 331 954	109 432 168	168 196 388	(4 122 602)	164 175 886

a Please refer to note No. 16 3 b.
b Please refer to note 19.
c Please refer to Statement 6.
d Please refer to Appendix 8.
e Please refer to Appendix 1, 2 and 3.
f Please refer to Statement 5.
g Please refer to note 18 and MMP Financial Statements in Part III.

Statement 2

United Nations Relief and Works Agency for Palestine Refugees in the Near East

Assets and liabilities statement as at 31 December 2005 (in USD)

As at 31 December 2005			Regular budget funds			Non-regular budget funds					
As at 31 December 2004	Particulars	Note	Cash	In kind	Regular budget funds total	Emergency appeals	Projects	Non-regular budget funds total	All funds	Miscellaneous [1]	Grand total
	Assets										
140 560 060	Cash on hand and in banks	10	65 500 230	1 470 009	66 970 239	38 300 243	34 194 923	43 075 256	270 040 435	5 494 615	277 341 647
11 291 734	Contributions receivable	11(A)(i)	23 065 592		23 065 592	26 486 078	15 221 291	41 625 137	64 690 863	643 196	65 638 358
23 000 885	Advances to (debts owed by) governments and specified third amounts	12	19 953 039	931	19 954 014	1 863 831	2 553 335	4 326 246	24 280 260	3 019 132	27 499 392
9 405 269	Prepaid expenses and advances to suppliers		3 870 400	678 441	4 548 841	37 874	3 969	39 463	4 588 253	1 936	4 590 189
878 337	Production units inventory	13	928 887		928 887				928 887		928 887
121	Due from MSIC		484 779		484 779				484 779	(484 779)	(0)
225 134 317	**Total assets**		133 802 927	2 149 381	135 952 322	77 000 105	52 265 180	129 265 285	264 923 607	15 976 466	280 900 073
	Liabilities										
25 852 188	Accounts payable	14	18 877 930		18 877 930	16 509 346[1]	9 405 585	1 909 244	26 776 174	46 612	26 822 786
59 111 873	Reserve for unliquidated budget commitments	10	35 044 624	1 656 427	36 701 051	10 490 260	5 246 057	15 743 317	52 444 368		52 444 369
3 330 069	Due to (from) Area Staff Provident Fund	1	(1 132 139)		(1 132 139)				(1 132 139)		(1 132 139)
1 104 378	Income received in advance		16 147 159		16 147 159				16 147 159	3 334 743	19 481 902
89 218 477	**Total liabilities**		74 937 575	1 656 427	76 594 002	5 899 911	11 741 650	17 641 561	94 235 563	3 381 355	97 616 918
	Reserves										
35 253 893	Working capital		38 634 463		38 634 463				38 634 463		38 634 463
77 343 779	Fund balance		19 930 890	492 954	20 409 845	71 100 194	37 823 196	108 923 389	129 331 234		129 331 234
(10 000 000)	Reserve for exchange rate fluctuations										

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As at 31 December 2005 All funds[a]	Particulars	Note	Regular budget funds: Cash	Regular budget funds: In-kind	Regular budget funds: Regular budget funds total	Non-regular budget funds: Emergency appeal	Non-regular budget funds: Projects[b]	Non-regular budget funds: Non-regular budget funds total	All funds	Microfinance and Microcredit Programme	Grand total
12 409 864	Retained earnings — MCSP and MMP						510 784	510 784	510 784	14 122 602	13 611 818
14 728 452	Accumulated reserve — MCSP and MMP						2 191 553	2 191 553	2 191 553	16 717 713	18 909 270
221 134 317	**Total liabilities and reserves**		**133 502 927**	**2 155 394**	**135 658 322**	**77 000 105**	**52 265 180**	**129 265 285**	**264 923 607**	**15 976 466**	**280 900 073**

[a] Please refer to Note 19.
[b] Please refer to Statement 7.
[c] Please refer to MMP financial statements in Part III.

Statement 3

United Nations Relief and Works Agency for Palestine Refugees in the Near East

Cash flow statement for the biennium 2004-2005 (in USD)

Biennium 2002-2003	*Details*	*Biennium 2004-2005*
	Cash flows from operating activities	
23 434 671	Excess/(shortfall) of income over expenditure	37 250 059
13 169 836	(Less): increase in contribution receivable	(14 146 625)
42 378 492	(Less): increase in accounts receivable net of provision for uncollectible amounts	(10 502 696)
(5 214 768)	Add: decrease in prepaid expenses and advances to suppliers	1 815 078
1 206 805	Add: decrease in production units inventory	249 486
1 220 823	Add: increase in accounts payable	2 970 628
5 886 544	(Less): decrease in reserve for unliquidated budget commitments	(6 667 505)
	(Less): increase in MMP Fixed Assets	
	(Less): decrease in reserve for exchange rate fluctuations	(10 000 000)
(4 412 778)	(Less): interest income	(228 321)
871 133	Plus: interest transferred to projects	297 119
(16 971 741)	(Less): exchange gains/(losses)	18 573 201
63 568 166	**Net cash from operating activities**	**19 410 426**
	Cash flows from financing activities	
800 431	Add: increase in accumulated reserve — MCSP and MMP	4 180 818
3 655 706	(Less): decrease in due to (from) Area Staff Provident Fund	(4 282 208)
332 178	Add: increase in income received in advance	16 377 524
2	(Less): increase in due from MMP	(2)
4 412 778	Plus: interest income	228 321
(871 133)	(Less): interest transferred to projects	(297 119)
10 867 723	Plus: realized exchange gains/(losses)	(531 630)
19 397 864	**Net cash from financing activities**	**15 675 704**
	Effects of changes on cash	
(4 794 891)	Prior years' adjustments	19 936 439
6 104 018	Unrealized exchange gains/(losses)	(18 041 572)
(171 311)	Reclassification of fund balances	
1 137 816	**Net cash from other sources**	**1 894 867**
84 103 846	**Net increase in cash**	**36 980 997**
56 456 214	Cash balance as at 1 January 2004	140 560 060
140 560 060	Cash balance as at 31 December 2005	177 541 057
84 103 846	**Net increase in cash balances**	**36 980 997**

Statement 4

United Nations Relief and Works Agency for Palestine Refugees in the Near East

Budget and expenditure for the biennium 2004-2005

(in United States dollars)

	Budget			Expenditure		
Details	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Regular budget funds						
Education programme						
Education planning and management	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Elementary education	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Preparatory education	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Secondary education	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
Vocational and professional training	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Other activities	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
Total education programme	**401 695 000**	**2 429 000**	**404 124 000**	**411 923 617**	**5 657 923**	**417 581 540**
Health programme						
Programme management	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Medical services	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Environmental sanitation	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nutrition and supplementary feeding	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Special environmental health programme (Gaza)	[illegible]		[illegible]	[illegible]		[illegible]
Total health programme	**122 851 000**	**8 779 000**	**131 630 000**	**116 012 207**	**10 481 775**	**128 493 982**
Relief and social services programme						
Programme management	[illegible]		[illegible]	[illegible]		[illegible]
Relief services	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Social services	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total relief and social services programme	**43 171 000**	**30 070 000**	**73 241 000**	**42 942 117**	**26 027 802**	**68 969 919**
Operational and technical services						
Procurement and logistics services	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Engineering and minor construction services	[illegible]		[illegible]	[illegible]		[illegible]
Information and communication technology services	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
Management	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
Total operational and technical services	**46 461 500**	**59 000**	**46 520 000**	**48 676 591**	**14 706 376**	**63 970 215**

	Budget			Expenditure		
Category	Core	In kind	Total	Core	In kind	Total
Common services						
Executive management	40 763 000	—	40 763 000	36 882 541	—	36 882 541
Administration	26 864 000	—	26 864 000	11 878 333	1 660 346	13 538 679
Total common services	**67 627 000**	**—**	**67 627 000**	**48 760 874**	**1 660 346**	**50 421 220**
Other services						
Salary increase reserve	12 000 000	—	12 000 000	—	—	—
Working capital build up reserve	12 000 000	—	12 000 000	—	—	—
Total other services	**24 000 000**	**—**	**24 000 000**	**—**	**—**	**—**
Total regular budget funds	**705 005 000**	**42 337 000**	**747 342 000**	**670 315 406**	**39 121 469**	**709 436 875**
Non-regular budget funds						
Emergency appeals	255 881 840	3 720 862	259 215 190	171 225 136	3 703 981	174 929 117
Projects						
Post Oslo projects	41 809 932	231 173	42 041 543	41 589 918	231 173	41 821 091
Other projects	500 111	—	500 111	10 349 393	—	10 349 393
Microcredit/community support programmes	274 439	—	274 439	196 195	—	196 195
Disengagement projects in Gaza	8 469 000	—	8 469 000	—	—	—
Total projects	**69 999 577**	**231 173**	**70 230 750**	**52 335 504**	**231 173**	**52 566 677**
Extended projects	61 330 253	—	61 330 253	—	—	—
Total non-regular budget funds	**387 453 678**	**5 952 035**	**393 405 713**	**265 558 659**	**5 937 134**	**271 495 794**
Microfinance and microenterprise programme	6 477 017	—	6 477 017	6 562 657	—	6 562 657
Total all funds	**1 100 935 695**	**48 289 035**	**1 149 224 730**	**942 436 722**	**45 058 604**	**987 495 326**

United Nations Relief and Works Agency for Palestine Refugees in the Near East

Statement of working capital and fund balances for the biennium 2004-2005

(in United States dollars)

		Regular budget funds			Non-regular budget funds				
Biennium 2002-2003 all funds	*Details*	*Cash*	*In kind*	*Regular budget funds total*	*Emergency appeal*	*Projects*	*Non-regular budget funds total*	*Microfinance and Microenterprise Programme*	*All funds*
8 525 541	Working capital as at 31.12.2003	32 253 893		32 253 893					32 253 893
86 601 978	Fund balance as at 31.12.2003		4 538 519	4 538 519	57 682 936	15 121 901	72 804 840		77 343 359
	Reserve for exchange rate fluctuations 31.12.2003	10 000 000		10 000 000					10 000 000
(1 163 870)	Retained earnings as at 31.12.2003					394 320	394 320	(2 804 180)	(2 409 860)
73 963 641	**Total working capital fund balances and reserves as of 31.12.2003**	**42 253 893**	**4 538 519**	**46 792 412**	**57 682 936**	**15 516 221**	**73 199 156**	**(2 804 180)**	**117 187 388**
289 607	Adjustment of reclassification of in kind and microfinance and microenterprise programme								
67 923 047	Non-regular budget confirmed pledges								
(43 626 635)	Non-regular budget fund commitments								
9 171 571	Working capital as at 01.01.2004	12 253 893		12 253 893					12 253 893
89 426 989	Fund balance as at 01.01.2004		4 538 519	4 538 519	57 682 936	15 516 221	73 199 156	(2 804 180)	74 933 495
	Reserve for exchange rate fluctuations 1.01.2004	10 000 000		10 000 000					10 000 000
98 547 660	**Total working capital fund balances and reserves as at 01.01.2004[a]**	**42 253 893**	**4 538 519**	**46 792 412**	**57 682 936**	**15 516 221**	**73 199 156**	**(2 804 180)**	**117 187 388**
	Adjustments								
	Prior years' adjustments[b]								
502 276	Adjustments to assets	(1 051 432)		(1 051 432)	(3 026)		(3 026)	(2 029)	(1 056 488)
(3 601 973)	Adjustments to liabilities	12 780 315		12 780 315		7 004 417	7 004 417	(71 836)	19 802 896
(807 317)	Adjustments to income	(1 227 050)		(1 227 050)	(1 090)	(1 090 340)	(1 091 731)		(131 319)
(1 407 251)	Adjustments to expenditure	196 625)		196 625)					196 625)
—	Adjustment to construction work in progress (CWIP)	4 114 307		4 114 307					4 114 307
—	Adjustment to land and buildings	354 498 404		354 498 404					354 498 404
—	Adjustment to reserve for CWIP	(4 114 307)		(4 114 307)					(4 114 307)
—	Adjustment reserve for land and buildings	(354 498 404)		(354 498 404)					(354 498 404)

Biennium 2002-2003 all funds	Details	Regular budget funds: Cash	In kind	Regular budget funds total	Non-regular budget funds: Emergency appeal	Projects	Non-regular budget funds total	Multi-partner and Multi-sectoral Programme	All funds
(6 804 285)	Total prior years' adjustments	10 405 207	—	10 405 207	(6 135)	8 191 257	8 185 121	(79 679)	18 510 650
2 009 374	Reclassifications between funds	837 578	(407 794)	429 764	1 950 008	1 042 017	2 992 026	—	3 421 789
(4 794 891)	**Total adjustments**	**11 242 785**	**(407 794)**	**10 834 971**	**1 943 873**	**7 233 274**	**9 177 147**	**(75 679)**	**19 936 439**
23 434 820	Excess (shortfall) of income over expenditure	15 068 095	(3 831 758)	11 436 938	(1 473 388)	15 582 479	27 055 865	(1 245 743)	37 250 059
—	Transfer from reserve for exchange rate fluctuations	(10 000 000)	—	(10 000 000)	—	—	—	—	(10 000 000)
117 187 389	**Total working capital fund balances, and reserves as at 31.12.2005**	**58 565 353**	**495 957**	**59 064 320**	**71 100 194**	**38 331 974**	**109 432 188**	**(4 122 892)**	**164 373 886**

* Please refer to note No. 16.3 c.
** Please refer to note No. 16.3 a.

United Nations Relief and Works Agency for Palestine Refugees in the Near East

Non-regular funds projects statement of income, expenditure and changes in fund balances for the biennium 2004-2005

(in United States dollars)

Biennium 2002-2003	*Details*	*Note*	*Fixed (ESW projects)*	*Other projects*	*Microcredit/ Community Support Programme*	*Disengagement projects in Gaza*	*Grand total*
	Income						
	Contributions						
13 257 637	Contributions by Governments		36 867 [illegible]	305 223		14 270 625	51 445 491
3 311 944	Contributions by inter-Governments		15 032 039	756 356		—	15 788 395
95 998	Contributions by United Nations agencies		208 402			—	208 402
435 852	Contributions by non-Governments		366 664	1 682		—	368 346
123 000	Contributions by other sources	5	45 851			—	45 851
17 224 431	**Total contributions**[1]		**52 520 595**	**1 065 265**	**—**	**14 270 625**	**67 856 485**
	Other income						
288 276	Miscellaneous income	6			292 671		292 671
(134)	Exchange gains/(losses)	7				—	
288 142	**Total other income**		**—**	**—**	**292 671**	**—**	**292 671**
17 512 572	**Total income**		**52 520 595**	**1 065 265**	**292 671**	**14 270 625**	**68 149 156**
(33 926 937)	Expenditure[2]	1	(41 821 091)	(10 549 391)	(196 195)	—	(52 566 677)
(16 414 365)	Excess (shortfall) of income over expenditure		10 699 504	(9 484 126)	96 476	14 270 625	15 582 479
(593 642)	Adjustments[3]	16	3 329 354	3 770 114	19 992	113 814	7 233 274
(17 008 007)	**Net excess (shortfall) of income over expenditure**		**14 028 858**	**(5 714 012)**	**116 468**	**14 384 439**	**22 815 753**
32 524 227	Fund balances as at 01.01.2004		13 880 126	1 241 779	394 316	—	15 516 221
15 516 221	Fund balances as at 31.12.2005		27 908 984	(4 472 233)		14 384 439	37 821 190
394 316	Retained earnings				510 784		510 784
15 910 537	**Total fund balances as at 31.12.2005**		**27 908 984**	**(4 472 233)**	**510 784**	**14 384 439**	**38 331 974**

[1] Please refer to appendix 4.
[2] Please refer to appendix 1, 2 and 3.
[3] Please refer to appendix 4.

Statement 7

United Nations Relief and Works Agency for Palestine Refugees in the Near East

Non-regular funds projects assets and liabilities statement as at 31 December 2005

(in United States dollars)

As at 31 December 2005	Details	Note	Direct (NRF) projects	Other projects	Microcredit Community Support Programme	Disengagement Projects in Gaza	Consolidated
	Assets						
23 075 192	Cash on hand and in banks	10	20 479 686	999 662	1 315 414	11 395 161	34 189 923
11 466 575	Contribution receivable	11 and 16	12 252 015	—	—	2 989 278	15 221 293
1 374 568	Accounts receivable net of provision for uncollectible amounts	12	695 165	646 965	1 510 245	—	2 852 378
22 905	Prepaid expenses and advances to suppliers		1 589	—	—	—	1 589
35 939 240	**Total assets**		**33 408 454**	**1 646 627**	**2 825 659**	**14 384 439**	**52 265 180**
	Liabilities						
6 235 827	Accounts payable	14	415 338	3 956 937	123 319	—	6 495 593
12 418 857	Reserve for unliquidated budget commitments	15	5 084 133	161 924	—	—	5 246 057
18 654 684	**Accounts payable and accruals**		**5 499 471**	**6 118 861**	**123 319**	—	**11 741 650**
	Reserves						
—	Working capital						
15 121 905	Fund balances		27 908 984	(4 472 234)	—	14 384 439	37 821 190
394 316	Retained earnings		—	—	510 784	—	510 784
1 768 335	Accumulated reserve		—	—	2 191 557	—	2 191 557
35 939 240	**Total liabilities and reserves**		**33 408 454**	**1 646 627**	**2 825 659**	**14 384 439**	**52 265 180**

Notes to the financial statements of the United Nations Relief and Works Agency for Palestine Refugees in the Near East

Mission statement

The mission of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) is to provide education, health, relief and social services as well as access to microcredit, microfinance and microenterprise opportunities for Palestine refugees living in Jordan, Lebanon, the Syrian Arab Republic, the West Bank and the Gaza Strip. The primary beneficiaries of UNRWA services are Palestine refugees, particularly the most vulnerable groups, including children, women, the aged and the disabled, although certain non-refugees are provided services under exceptional circumstances as mandated by the General Assembly.

Note 1
Summary of significant accounting policies

(a) Basis of presentation

1.1 The financial statements are prepared in accordance with the United Nations system accounting standards and the Financial Regulations of the Agency.

(b) Accounting conventions

1.2 The financial statements are prepared under the historical cost convention.

1.3 In accordance with the Agency's financial regulation 10.2, the accounts of the Agency are maintained on the accrual basis of accounting, except for items in note 1.5 and note 2. The fundamental accounting concepts of going concern, matching and consistency are followed in the presentation of the financial statements.

1.4 The Agency operates a system of fund accounting. This means that it maintains separate accounts for the regular budget and the non-regular budget funds. The Agency's system of fund accounting provides a full identification of income and expenditure by purpose and the complete separation of the assets and liabilities of each fund. The financial statements are presented in a columnar manner by fund. Contributions or allocations to funds other than the regular budget are assigned individual project codes, which are maintained as distinct financial and accounting entities.

1.5 The Agency does not provide for future termination benefits for its eligible area staff. No reserve for future separation costs of area staff is included in the financial statements, as these payments will be funded from future revenues (see note 2.1).

1.6 The Agency's financial period consists of two consecutive calendar years, as provided for in financial regulation 2.1. An interim closure of accounts is carried out at the end of the first year and a final closure at the end of the second year.

1.7 Due to the nature of their operations, the financial statements of the Area Staff Provident Fund and those of the microfinance and microenterprise programme (MMP) are prepared on an annual basis and are presented separately.

Changes in accounting policy

1.8 As a result of the revision of the Financial Regulations, the Agency has changed its accounting policy on the pre-financing of project expenditure. That

policy states that after consideration by the General Assembly, the budget shall constitute authority to the Commissioner-General to incur commitments and to make disbursements for the purposes provided, to the extent that contributions are actually received or other funds are actually available. The Commissioner-General may additionally incur commitments and make disbursements against contributions pledged for designated projects and therefore authorize pre-financing of projects.

1.9 The United Nations system accounting standards (paragraphs 49 (v) and 51) require that the value of land and buildings be disclosed as an asset and the method of valuation stated and costs incurred during the construction of major long-term acquisitions be accumulated and disclosed in a separate account. The Agency has deemed fit to depart from this requirement as per paragraph 3 of the United Nations system accounting standards, which states that where individual organizations find it necessary to depart from the practice set out in the standards they should disclose the reasons for doing so in the statement of significant accounting policies included in their financial statements.

1.10 On this basis, during the biennium 2004-2005, the Agency changed its accounting policy with respect to the treatment of expenditure incurred on land and buildings and construction. The new policy stipulates that costs incurred on the acquisition and construction of land and buildings shall, instead of being capitalized, be charged to expenditure as they are incurred. Following this change, UNRWA financial regulation 10.4 has also been amended to read as follows: "costs incurred on acquisition, construction or capital improvements of land and buildings shall be charged to expenditure as they are incurred".

1.11 The unique nature of UNRWA operations and its position vis-a-vis the host Governments of its area of operations necessitates the accounting treatments explained below:

(a) *Going concern*. The Agency operates under a three-year mandate from the General Assembly. This makes it difficult to realistically see it in operational existence beyond that period. Assets can therefore not be capitalized and depreciated/amortized beyond the period of the mandate. In this light, it is deemed prudent to charge to expenditure all costs on land and buildings and construction when incurred;

(b) *Legal title and assets break-up value*. The nature of the Agency's operations is such that structures are built mostly in the refugee camps on the allocated land of the host authorities/Governments. Thus, in the event of the Agency ceasing operations partly or fully, these structures will have no break-up, economic or disposal value and cannot be sold to realize any value. They will be handed over to the host Government and become public properties;

(c) *Control over shelters*. Included in the land and building values for the previous biennium was $10,720,098 in expenditure incurred on shelters for refugees. For the biennium 2004-2005, $10,126,211 was expended on shelters for refugees, which is included in the Agency's expenditure. These shelters are handed over to the refugees as soon as construction is completed, and the Agency has neither control nor claim of ownership after handing them over. It would therefore be imprudent to reflect these values as the Agency's fixed assets, and they have accordingly been excluded from the values disclosed.

The impact of this change in accounting policy has resulted in the reduction of the balance sheet's assets and reserve balances, both by $406,681,285 (2002-2003: $362,388,159).

(c) Regular budget results for the biennium

1.12 During the biennium ending 31 December 2005, the Agency reported a net excess of income over expenditure of $26,311,460 in its cash regular budget fund. Included in this figure is the portion relating to the Gaza post-disengagement activities, amounting to $19,910,890, which is specifically earmarked for the disengagement plan and is not part of the mainstream General Fund. That amount is arrived at by taking into account income of $29,213,753 relating to disengagement activities and its related expenditure of $9,302,863. It has been combined and included in the regular budget funds at the explicit request of the donors. The resultant net excess of income over expenditure for the biennium for the mainstream General Fund would be $6,400,570.

(d) Foreign currency translation

1.13 The accounts of the Agency are maintained in United States dollars. Transactions in other currencies are translated to United States dollars using the United Nations operational rates of exchange prevailing at the time of the transaction. Gains or losses on the conversion of currencies between the market rates and United Nations operational rates of exchange are treated as additions to or reductions from income. At the end of a financial period, assets and liabilities in other currencies are translated to United States dollars at the rates of exchange applicable on 1 January of the following year.

(e) Management of currency risks

1.14 The primary principle of UNRWA risk management is the preservation of the value of its resources in United States dollar terms. UNRWA currency risk can be identified mainly as a potential loss in the value of non-received non-dollar contributions and non-dollar cash assets as a result of a strengthening United States dollar. The risk arises from the date the contributions are pledged. In order to protect its assets and cash flow against adverse currency movements, UNRWA adopts a conservative risk management approach to minimize its exposure to exchange rate fluctuations. Generally, UNRWA will conduct its foreign exchange transactions in the spot market. However, the use of derivative instruments, such as forward contracts and the purchase of options, may be used to reduce foreign exchange risk on current and certain future obligations, assets and liabilities denominated in other currencies. Hedging transactions may be written for periods of up to one year and only for the purpose of minimizing the risk of currency fluctuations, not for trading or speculative purposes.

(f) Income recognition

1.15 Cash contributions are recorded as income on the basis of confirmed donor pledges received during the current financial period. At the end of the financial period, outstanding confirmed pledges for both the regular and the non-regular budget are accrued as income. Pledges in respect of in-kind donations have been accrued.

1.16 Contributions in kind are recorded as income using the donor's valuation, as provided for in financial regulation 10.7, except for cash received against food commodities.

1.17 Contributions received from donors in respect of a future financial period are treated as income received in advance.

1.18 Interest income on bank deposits, income derived from the sale of used vehicles and equipment, shares of profits on insurance policies, income from production units and other sundry income are treated as miscellaneous income.

(g) **Expenditure**

1.19 Expenditures reported in the Agency's financial statements include disbursements and unliquidated obligations (hard commitments) for regular budget and non-regular budget funds charged against the budget allocation for the financial period.

1.20 In accordance with the Agency's revised financial regulation 10.4, costs incurred on acquisition, construction, or capital improvements of land and buildings are charged to expenditure as they are incurred. Although such land and buildings are not capitalized, they are recorded in memorandum assets accounts and construction ledgers in the field offices. This includes the costs incurred during construction, which extends over more than one financial period (see note 8).

1.21 In accordance with the Agency's financial regulation 10.3, costs incurred on the purchase of expendable supplies, acquisition of non-expendable equipment, furniture and motor vehicles are charged to expenditure on purchase. Although the Agency's non-expendable property is not treated as assets, strict control over these assets is maintained through the use of memorandum asset accounts and locator and value cards. The asset records are maintained on the historical cost basis.

Note 2
End-of-service benefits

2.1 Separation costs of international staff are borne by the United Nations Secretariat, and no provision for these costs is included in the Agency's financial statements. Actual separation costs for area staff are charged to the financial period in which they are incurred, and there is no prior provision made for them. In the event of the Agency's cessation of operations, the accumulated termination benefits for area staff at 31 December 2005 are estimated at $168.07 million ($147.3 million as at 31 December 2003), based on current costs, rules and regulations. During the biennium 2004-2005, a provision was made in the budget to meet the Agency's obligations towards end-of-service benefits amounting to $24.1 million. The increase of $30.7 million in end-of-service liabilities over the biennium is due to the net difference between:

(a) Increases caused by salary increases Agency-wide, annual increments and migration of staff members to higher brackets of benefits;

(b) The savings resulting from continuing retirement of staff members, non-availability of this benefit to newly recruited staff members, etc.

2.2 Further, the estimate for the leave pay encashment entitlement for the total number of leave days accrued by international staff as at 31 December 2005

amounts to $1,452,171. No provision has been made, as this amount will be covered by the United Nations budget.

Note 3
United Nations Joint Staff Pension Fund

UNRWA is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits. The Pension Fund is a funded defined benefit plan. It is mandatory for UNRWA internationally recruited staff members to join the Pension Fund. The financial obligation of UNRWA to the Pension Fund consists of its mandated contribution at the rate established by the General Assembly together with its share of any actuarial deficiency payments that might become payable pursuant to article 26 of the Regulations of the Fund. Such deficiency payments are payable only if and when the General Assembly has invoked the provision of article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as at the valuation date. At the time of the writing of the present report, the General Assembly has not invoked this provision. The Agency's liability towards the Pension Fund has been fully met as at 31 December 2005.

Note 4
United Nations Relief and Works Agency for Palestine Refugees in the Near East Area Staff Provident Fund

4.1 The United Nations Relief and Works Agency for Palestine Refugees in the Near East Area Staff Provident Fund, established under the Agency's Financial Regulations, article XIII, is a retirement benefit plan that applies to all area staff members and vests after six months of service. It is a defined contribution plan. The mandatory staff contribution is 7.5 per cent, matched by the Agency's contribution of 15 per cent, of basic salary. Staff can also contribute up to 50 per cent of their basic salaries in additional voluntary contributions.

4.2 Amounts due to/(from) the Area Staff Provident Fund are as follows, in United States dollars:

Closing balance 2006	*Details*	*Closing balance 2005*
23 968 549	Mandatory employee contributions	52 006 417
25 272 967	Agency contribution	55 081 655
334 568	Voluntary employee contributions	1 093 141
(5 412 034)	Employee loans	(21 646 322)
54 320	Commission on loans	216 411
153 860 116)	Withdrawals	(114 534 695)
12 476 202	Current account	26 651 254
3 150 069	**Balance due to/(from) Provident Fund**	**(1 132 139)**

4.3 More details on Provident Fund accounts, investments and results are provided in section E of the present chapter.

Note 5
Contributions from other sources

Income from other sources represent miscellaneous contributions received in cash and in kind from individuals, charitable institutions, social bodies, merchants and sources other than the main contributors.

Note 6
Miscellaneous income

Miscellaneous income comprises the following, in United States dollars:

2003-2003			2004-2005	
Regular budget	*Non-regular budget*	*Details*	*Regular budget*	*Non-regular budget*
919 121	210 135	Bank interest on deposits	3 238 029	236 501
2 342 630	69 758	Bank interest on current accounts	1 735 353	35 031
	1 452 837	Disputed and reserved claims refunded	372	
327 302	33 910	Sundries	362 614	21 139
273 610		Profit (losses) on production units in Gaza*	(601 489)	
3 862 663	**1 766 640**	**Miscellaneous income**	**4 734 879**	**292 671**
2 071 150		MMP operating revenues	5 313 712	
7 700 453		**Total**	**10 341 262**	

* See annex for further details.

Note 7
Exchange gains/(losses)

7.1 Exchange gains and losses represent realized and unrealized gains and losses on the translation of non-United States dollar-denominated balances and transactions during the biennium, as shown below, in United States dollars. The foreign exchange losses for the biennium (realized and unrealized) amounted to $18,573,201. The reserve of $10,000,000 for fluctuation in currency exchange was written back to working capital.

(United States dollars)

Closing balance 2003			*Closing balance 2005*	
Regular budget	*Non-regular budget*	*Details*	*Regular budget*	*Non-regular budget*
10 867 856	(134)	Realized currency exchange rate gain/(loss)	(537 832)	
6 106 632		Unrealized currency exchange gain/(loss)	(18 041 204)	(367)
16 974 488	**(134)**	**Subtotal**	**(18 579 036)**	**(367)**
(2 613)		MMP exchange gains/(losses)	6 202	
16 971 741		**Total**	**(18 573 201)**	

7.2 Movements in the reserve for exchange rate fluctuations are as follows, in United States dollars:

Closing balance 2003	*Details*	*Closing balance 2005*
	Balance brought forward	10 000 000
10 000 000	Created in the biennium	
	Written back to working capital	(10 000 000)
10 000 000	**Balance carried forward**	

Note 8
Land and buildings

The historical costs of land and buildings, which are expensed as they are incurred, are set out below, in United States dollars (see also notes 1.9-1.11 and 1.20). The costs below were authorized under the Agency's budget and were financed out of contributions from various donors.

		Movements in 2004-2005		
Closing balance 2003	*Details*	*Acquisitions*	*Disposals*	*Closing balance 2005*
302 139 861	Buildings and structures	38 181 540	(239 177)	340 082 224
219 049	Land			219 049
302 358 910	**Total**	**38 181 540**	**(239 177)**	**340 301 273**

Note 9
Vehicles and equipment

The historical costs of vehicles and equipment, which are expended at the time of purchase, are set out below, in United States dollars (see note 1.21 for policy on treatment of acquisitions of other fixed assets).

		Movements in 2004-2005		
Closing balance 2003	*Details*	*Additions*	*Disposals*	*Closing balance 2005*
18 835 282	Active vehicles	4 647 908	(2 596 204)	20 886 986
2 270 631	Surveyed vehicles	2 337 238	(743 905)	3 863 964
53 975 849	Active equipment	10 084 230	(8 464 595)	55 595 484
105 329	Surveyed equipment	1 515 625	(1 620 954)	
15 087	Missing equipment	—	(15 087)	—
148 221	Non-agency property, equipment	—	—	148 221
75 350 399	**Other fixed assets**	**18 585 001**	**(13 440 745)**	**80 494 655**
409 523	MMP fixed assets	412 094	(49 527)	772 090
75 759 922	**Total other fixed assets**	**18 997 095**	**(13 490 272)**	**81 266 745**

Note 10
Cash on hand and in banks

10.1 Cash on hand and in bank balances of $177,541,057 includes microfinance and microenterprise programme bank balances. Cash balances relating to the emergency appeal and projects are earmarked for activities relating to the fund groups.

10.2 The cash balances of $177,541,057 at the end of the biennium were held in the currencies shown below. Currency values have been converted at the United Nations operational rate of exchange as at 1 January 2006.

Closing balance 2003 All funds				*Closing balance 2005 All funds*		
Currency amount	*United Nations rate of exchange*	*US$ amount*	*Currency*	*Currency amount*	*United Nations rate of exchange*	*US$ amount*
21 548	1.3400	16 081	AUD	2 542	1.3700	1 856
26 703	1.3100	20 384	CAD	21 670	1.1700	18 521
36 664	1.2500	29 331	CHF	1 139 456	1.3100	869 814
166 494	5.9600	27 935	DKK	490 235	6.3000	77 815
31 311	6.1300	5 108	EGP	114 735	5.7300	20 024
3 857 087	0.8010	4 815 340	EUR	103 472 735	0.8450	122 452 940
5 187 162	0.5630	9 213 432	GBP	1 255 661	0.5810	2 161 205
(936 567)	0.7080	(1 322 835)	JOD	(545 564)	0.7080	(770 571)
(44 071 461)	107.0000	(411 883)	JPY	(11 984 349)	117.0000	(102 430)
(26 719 845)	1 501.0000	(17 801)	LBP	(79 884 750)	1 501.0056	(53 220)
912 875	4.3500	209 856	NIS	2 257 617	4.6000	490 786
28 207	6.7400	4 185	NOK	75 061 829	6.7700	11 087 420
120 151	7.2800	16 504	SEK	297 930	7.9600	37 429
31 779 802	51.5000	617 083	SYP	10 382 768	52.0000	199 668
120 591 967	1.0000	120 591 967	US$	33 161 653	1.0000	33 161 655
		133 814 687	Cash in banks			169 652 912
		420 772	Cash on hand			393 533
		134 235 459	**Subtotal**			**170 046 445**
		6 324 601	Add MMP balances			7 494 612
		140 560 060	**Total cash balances**			**177 541 057**

Note 11
Donor contributions receivable

11.1 Contributions receivable represent confirmed pledges outstanding from donors for 2004-2005 for both regular and non-regular budget activities as at 31 December 2005.

11.2 The total of contributions receivable reported in statement 2 at the end of the biennium was $65,638,359, comprising regular budget contributions of $23,065,592

and non-regular budget contributions of $41,629,371 against 2004-2005 outstanding contributions, in addition to MMP contributions receivable of $943,396.

11.3 The following is a breakdown of contributions receivable balances by donor categories at the end of the biennium, in United States dollars. These balances have been accrued as income in 2004-2005. More details are shown in appendix 4.

2002-2003			2004-2005	
Regular budget	*Non-regular budget*	*Details*	*Regular budget*	*Non-regular budget*
4 133 304	19 118 142	Due from Governments	13 453 988	32 014 819
5 523 333	17 145 799	Due from intergovernmental organizations	9 485 613	8 165 525
590 944		Due from United Nations organizations	123 814	22 500
	4 780 212	Due from non-governmental organizations	2 177	1 418 527
		Other donors		8 000
10 247 581	**41 044 153**	**Contributions receivable**	**23 065 592**	**41 629 371**
		MMP contributions receivable	943 396	
51 291 734		**Total**	**65 638 359**	

11.4 The following are the outstanding contributions receivable by donor category, in United States dollars.

Donor	*Total*	*Outstanding pledges prior to 2004-2005*[a]	*Outstanding pledges against 2004-2005*
Governments	54 098 977	8 630 170	45 468 807
Intergovernmental organizations	46 359 439	28 708 301	17 651 138
United Nations organizations	170 724	24 410	146 314
Non-governmental organizations	17 953 576	16 532 874	1 420 704
Sundry	17 636	9 636	8 000
Subtotal	**118 600 354**	**53 905 391**	**64 694 963**
MMP outstanding pledges	943 396		943 396
Total	**119 543 750**	**53 905 391**	**65 638 359**

[a] Represents old pledges that have not been accrued in the current biennium.

Note 12
Accounts receivable

Accounts receivable reported in statement 2 include the following items, in United States dollars:

Closing balance 2004			Closing balance 2005	
Regular budget	*Non-regular budget*	*Details*	*Regular budget*	*Non-regular budget*
8 970 287	4 965 936	Port charges and demurrages		
11 849 232	479 745	VAT due from the Palestinian Authority	5 953 743	2 223 267
1 949 152	—	VAT due from the Government of Israel	1 126 747	(335)
83 908	34 798	VAT due from the Government of Lebanon	168 576	741 823
4 535	—	VAT due from the Government of Jordan		
12 513 236	—	Claims against Governments, filed		—
549 041	—	Claims against Governments, unfiled		
153 331		Claims against Governments, not disputed	(153 331)	
5 091 973	—	Funds due from headquarters move to Gaza		
—	—	Project disbursement advances	5 242 580	
—	—	OPEC Palestine trust fund towards MMP	2 375 000	
3 152 900	1 165 199	Miscellaneous receivables	2 714 146	1 583 209
1 117 407	—	Personal accounts of staff members	2 084 908	—
381 603	5 026	Goods loaned to other parties	83 389	
71 141		Refundable utility deposits	73 583	
1 659	—	Insurance claims	937	
43 859 410	**6 550 698**	**Subtotal**	**19 978 920**	**4 545 764**
		Provisions		
(7 338 822)	(4 965 936)	Provision for port charges		
(14 895 307)	—	Provision for claims against Governments	(24 903)	(2 777)
(5 091 973)		Headquarters move from Vienna to Gaza and Amman	—	—
—	(22 670)	MCSP provision for bad and doubtful debts		(16 742)
(27 326 102)	**(4 988 606)**	**Subtotal**	**(24 905)**	**(19 519)**
3 901 484		MMP loans receivable net provision	8 019 321	
21 996 885		**Accounts receivable net of provisions**	**32 499 581**	

Note 13
Inventory

The Agency has three self-supporting production units: the Embroidery Centre, the Carpentry Unit and the Contracting Section, all of which are located in Gaza. These units are governed by separate instructions for effective management control and performance assessment. Therefore, as an exception to the Agency's accounting

policies, inventories of the production units are reported at cost, under assets in the financial statements. The inventory is as follows, in United States dollars:

Closing balance 2003	*Details*	*Closing balance 2002*
159 811	Raw materials inventory — Carpentry Unit	356 723
102 860	Raw materials inventory — Contracting Section	
49 180	Raw materials inventory — Embroidery Centre	61 182
311 851	**Subtotal**	**417 905**
14 318	Work in progress — Carpentry Unit	21 959
141 449	Work in progress — Contracting Section	
2 315	Work in progress — Embroidery Centre	1 920
158 082	**Subtotal**	**23 879**
178 867	Finished goods — Carpentry Unit	100 324
181 085	Finished goods — Contracting Section	
101 788	Finished goods — Embroidery Centre	86 779
468 440	**Subtotal**	**187 103**
878 373	**Total**	**628 887**

Note 14
Accounts payable

14.1 Accounts payable include, in United States dollars:

Closing balance 2003			*Closing balance 2002*	
Regular budget	*Non-regular budget*	*Details*	*Regular budget*	*Non-regular budget*
5 046 676	2 869 823	Supplier accounts payable	16 165 356	1 898 244
210 263		Deposits received	561 242	
906 093		Ministry of Education — Jordan (textbooks)	497 217	
495 200		West Bank water supply, Palestinian Authority	633 000	
152 999		Unpaid cheques	13 473	
705 680		Area staff group medical insurance	974 296	
1 315 245		Unpaid salaries, wages and other expenses	127 296	
58 370		Other salary-related payables	175 070	
		Dues to OPEC Palestine trust fund	2 375 000	
2 768 056	2 944	Funds held for other entities	1 304 876	
	1 091 973	Headquarters moving expenses due to General Fund		
1 778 481		Interest due to projects	1 974 739	

Closing balance 2003			*Closing balance 2005*	
Regular budget	*Non-regular budget*	*Details*	*Regular budget*	*Non-regular budget*
2 367 354		VAT refunds from Palestinian Authority due to projects	76 365	
43 069		Miscellaneous accounts payable		
15 843 486	**7 964 740**	**Subtotal**	**24 877 930**	**1 898 244**
43 932		MMP accounts payable	46 612	
23 852 158		**Total**	**26 822 786**	

14.2 Below is an age analysis of supplier accounts payable, in United States dollars.

1-30 days	*31-60 days*	*61-90 days*	*Over 90 days*	*Total*
15 694 158	159 344	8 222	2 201 876	**18 063 600**

Note 15
Reserve for unliquidated budget commitments

(United States dollars)

Closing balance 2003			*Closing balance 2005*	
Regular budget	*Non-regular budget*	*Details*	*Regular budget*	*Non-regular budget*
11 532 787	41 920 293	Unliquidated budget obligations	25 398 587	9 152 848
1 050 290	—	Goods in transit purchase orders	5 251 621	6 590 469
4 608 503		Provision for carrying forward	6 050 843	
17 191 580	**41 920 293**	**Total**	**36 701 051**	**15 743 317**

15.1 The provisions for unliquidated budget commitments are in respect of procurement of goods and services that have not yet been received as at the end of the financial period.

15.2 The provision for carrying forward, amounting to $6,050,843, is in respect of amounts that are charged to current biennium expenditure against justifications that are received against the approved budget.

15.3 Commitments for the acquisition of buildings and shelter rehabilitation are as follows, in United States dollars:

Details	*Regular budget*	*Non-regular budget*	*Total*
Buildings	6 527 031	7 934 735	**14 461 766**
Shelter rehabilitation	11 823	1 185 930	**1 197 753**
Total	**6 538 854**	**9 120 665**	**15 659 519**

15.4 The Agency does not have commitments for acquisition of land. The timings of the commitments are recorded in the hard commitments documentation in the financial management system database. Hard commitments relate to obligations for contracts that have been signed or for goods or services that have already been delivered.

15.5 The amounts in respect of soft commitments as at 31 December 2005 were as shown in the table below, in United States dollars. These are obligations pertaining to requests for payment that have been raised, but the relevant contracts have not been signed and the goods or services have not been delivered.

Regular budget	*Non-regular budget*	*Total*
2 157 978	21 649 313	**23 807 291**

Note 16
Prior-year adjustments

16.1 (a) As shown in statement 5, prior-year adjustments represent adjustments to working capital and reserve accounts brought forward that relate to assets amounting to $1,303,447 in respect of inventory write-offs, MMP adjustments of $246,988 in compliance with United Nations system accounting standards and old receivables cleared to working capital. The other component relates to liabilities amounting to ($17,875,232), comprising mainly the write-back of the provision of $10,000,000 for currency exchange rate fluctuation, clearance of Vienna relocation expenditure to Gaza amounting to $5,091,973 and adjustment of budget commitments related to 2002-2003 amounting to $2,280,418. The third component relates, first, to the adjustment of overstated income of $1,096,340 and understated income of $1,228,159 that had initially been recorded twice and is now being corrected and, second, clearance of expenditure relating to third-party insurance for vehicles amounting to $96,625. The total prior-year adjustments in the biennium amounted to ($16.3 million).

(b) Included in prior-year adjustment are the figures of $354,498,404 for land and buildings and $4,114,307 for construction work in progress, which have been adjusted as a result of a change in accounting policy (see notes 1.9-1.11).

Reclassification of figures for the biennium 2002-2003

16.2 (a) In the financial statements for the current biennium, prior-year adjustments have been reclassified to align the treatment with the definition provided by the United Nations system accounting standards and also to create a clear distinction between prior-year adjustments and reclassification of funds. As a result, prior-biennium comparative figures were reclassified in order to facilitate reasonable comparison with the current-biennium figures.

(b) Working capital, fund balances and reserves for the biennium 2002-2003 have been realigned for uniformity with the treatment used in the current biennium, as reserves of $10,000,000 were shown separately during the prior biennium.

(c) There was a correction of $50 to prior-biennium figures relating to total working capital fund balances, which was necessary because of a casting error.

Note 17
Commitments and contingent liabilities

17.1 Agency contingent liabilities as at 31 December 2005, evaluated by the Legal Department, arise broadly in two categories: those in connection with personal matters and significant claims, litigation or arbitration and those associated with contractual matters. Contractual matters relate mostly to claims pertaining to procurement purchase orders and claims from landlords.

17.2 A number of personnel appeals that could involve payment of back wages and entitlements are pending with the respective appeals boards of the international and area staff as well as with the United Nations Administrative Tribunal. The contingent liabilities involved in these appeals amount to approximately $1,329,928.50 as at 31 December 2005 (last biennium: $1,082,419).

17.3 The contingent liabilities for commercial contracts are approximately $10,477,674.32 as at 31 December 2005 (last biennium: $2,066,791).

Note 18
Microfinance and microenterprise programme

18.1 Financial statements 1 to 5 include aggregate figures for the microfinance and microenterprise programme. The income, expenditure, prior-year adjustments and net result of the programme are as follows in United States dollars:

2002-2003 (restated)		*2004-2005*
	Income	
708 942	Interest on loans 2004	1 542 704
868 354	Interest on loans 2005	2 372 630
408 760	Recoveries from written-off loans 2004	574 287
836 308	Recoveries from written-off loans 2005	655 384
360 886	Interest on bank deposits and other revenues 2004	39 533
91 749	Interest on bank deposits and other revenues 2005	44 529
30 299	Training income 2004	39 354
48 220	Training income 2005	45 291
(1 138 377)	Release for loan losses 2002	—
55 009	(Additional provision) for loan losses 2003	—
(2 613)	Currency exchange (losses) 2002-2003	6 202
2 068 537	**Total income 2004-2005**	**5 319 914**
	Expenditure	
1 766 578	Operating expenditure 2004	2 760 482
2 135 777	Operating expenditure 2005	3 609 578
—	(Less): fixed assets depreciation 2004	(59 546)
—	(Less): fixed assets depreciation 2005	(93 989)
—	Add: fixed assets acquisition 2004	90 846
—	Add: fixed assets acquisition 2005	321 248
—	(Less): fixed assets disposals 2004	—

2002-2003	Description	2004-2005
	(Less): fixed assets disposals 2005	(49 527)
	(Less): end-of-service benefits 2004	(8 000)
	(Less): end-of-service benefits 2005	(8 335)
65 087	Training unit expenditure 2002	
77 156	Training unit expenditure 2003	
(2 613)	Add back: currency exchange (losses) 2002-2003	
4 043 985	**Total expenditure 2004-2005**	6 562 657
17 362	Prior-year adjustments	(246 988)
(1 958 086)	**Net result for the period**	(1 489 731)

18.2 More details on the microfinance and microenterprise programme are shown separately in the financial statements and the notes to the financial statements in section C below.

B. Appendices and annexes to the financial statements of the United Nations Relief and Works Agency for Palestine Refugees in the Near East

Appendix 1
Regular budget expenditure for the biennium 2004-2005

(United States dollars)

Revision 2002-2003	Programme	Cash	Others	Total
	Education services			
12 158 890	**Education planning and management**	14 371 965	781 909	15 153 874
	General education			
194 390 168	Elementary education	213 759 455	3 335 764	217 095 220
122 548 437	Preparatory education	146 509 155	1 240 706	147 749 861
2 885 460	Secondary education	3 805 674	16 193	3 821 867
	Vocational and professional training			
4 115 789	Gaza Vocational Training Center	4 729 721	17 855	4 747 575
4 003 629	Siblin Training Center	4 841 963	7 231	4 849 193
2 150 695	Damascus Vocational Training Center	3 338 257	39 452	3 377 710
3 984 450	Wadi Seir Training Center	4 340 780	32 775	4 373 555
2 377 078	Amman Training Center	2 755 725	13 217	2 768 942
3 164 600	Kalandia Vocational Training Center	3 584 322	57 550	3 641 872
2 429 430	Ramallah Men Training Center	3 252 936	30 494	3 283 429
4 018 394	Ramallah Women Training Center	4 488 864	49 519	4 538 383
1 877 280	Pre-Service Teacher Education	2 144 800	35 258	2 180 058
360 134 300	**Total, education services**	**411 923 617**	**5 657 923**	**417 581 540**

Projection 2001-2003	Programme	Cash	In-kind	Total
	Health services			
5 555 188	**Health administration**	5 730 021	917 664	6 647 684
	Medical care services			
3 584 153	Laboratory services	4 385 968	350	4 386 318
38 943 039	Outpatient services	43 951 343	1 971 333	45 922 676
4 644 680	Maternal and child health	5 094 035	219 564	5 313 599
6 454 661	Disease prevention and control	7 831 931	2 050 537	9 882 469
1 228 266	Physical rehabilitation	1 367 808		1 367 808
3 671 948	Dental care	4 130 477	1 525	4 132 002
837 675	School health services	1 060 967		1 060 967
17 180 112	General hospitals	20 501 785	3 204	20 504 989
1 917 854	Qalqilia Hospital	2 172 150	30 731	2 202 881
	Environmental sanitation			
184 152	Sewage and drainage	225 525		225 525
14 444 931	Solid waste management	19 168 123	337	19 168 460
894 483	Water supply	1 492 538	23 468	1 516 006
5 515 685	**Supplementary feeding**	4 097	5 283 063	5 287 160
85 193	Environmental health administration	249 078	—	249 078
11 759	Environmental project planning	34 831	—	34 831
108 179	Environmental project design	255 897	—	255 897
82 401	Environmental project implementation	155 632	—	155 632
105 338 960	**Total, Health services**	**118 012 207**	**10 481 775**	**128 493 982**
	Relief and social services			
2 544 446	Relief programme management	4 791 741		4 791 741
	Relief services			
45 078 111	Special hardship assistance	27 753 789	25 811 959	53 565 748
2 309 568	Eligibility and registration of Palestine refugees	2 503 076		2 503 076
54 889	Quality control	10 621	1 305	11 926
2 020 806	Ration distribution costs	2 186 747	145 468	2 332 216
	Social services			
808 038	Community development	1 056 704	7 111	1 063 815
244 300	Youth activities	187 262	1 467	188 729
1 098 669	Women-in-development	1 055 307	19 008	1 074 313
1 125 351	Disability programme	1 392 562	26 738	1 419 299
671 900	Rehabilitation Center for Visually Impaired, Gaza	768 469	14 748	783 217
37 077	Self-supporting units	45 005		45 005
1 043 610	Poverty alleviation	1 190 832	—	1 190 832
57 036 825	**Total, relief and social services**	**42 942 117**	**26 027 802**	**68 969 919**

Biennium 2002-2003	*Programme*	*Cash*	*In-kind*	*Total*
	Technical and operational services			
296 518	Office of Director of Technical and Operational Services	544 256		544 256
	Procurement and logistics			
5 497 190	Procurement and logistics administration	6 006 026	68 180	6 074 206
3 148 198	Purchase of supplies for inventory	9 041 111	(5 633 602)	3 307 509
1 966 282	Supply warehousing	3 991 838	18 962	4 010 800
4 053 061	Maintenance of generators and pumps	54 828		54 828
58 677	Vehicle maintenance	2 190 762		2 190 762
2 216 319	Passenger transport	8 274 258	9 869	8 284 127
10 612 438	Freight transport	4 221 951	22 301	4 244 252
4 221 218	Port operations	1 884 485	477 168	2 361 653
(115 926)	Supply to ISD activities	41 135		41 135
39 575	Information systems services	3 633 242	7 845	3 641 086
901 914	SWAN project	1 157 881		1 157 881
	Engineering services			
5 882 302	Engineering and construction services	6 868 161		6 868 161
	Urban Planning Unit cost center and D03Ts submission	252 653		252 653
	Programme support cost	318 183	332 901	651 084
(59 699)	Production units	(4 399)		(4 399)
38 718 068	**Total, technical and operational services**	**48 676 591**	**(4 706 376)**	**43 970 215**
	Common services			
	General management			
6 227 806	Field office administration	7 403 354	—	7 403 354
3 246 178	Area administration	3 404 122	—	3 404 122
1 648 454	Camp services administration	1 794 864	—	1 794 864
4 377 540	Protective services	4 616 749	—	4 616 749
221 580	Projects unit	246 998	—	246 998
2 152 332	Agency administration	3 785 080		3 785 080
1 476 947	Public information	1 987 399		1 987 399
2 191 022	External relations	2 863 729		2 863 729
977 083	Policy analysis unit	1 143 871		1 143 871
1 474 697	Internal and external audit services	1 927 931		1 927 931
2 223 225	Legal services	2 715 487		2 715 487
651 902	Legal assistance	650 885		650 885
51 530	Operation support officers programme	4 132		4 132
	Psychosocial support programme	2 293 859		2 293 859
742 193	New York liaison office	895 968		895 968
39 682	Cairo office	59 632		59 632
	General liaison office	680 139		680 139

Biennium 2002-2003	*Programme*	*Cash*	*In-kind*	*Total*
244 845	Vienna office (closed in January 2002)	—	—	—
	Director of operations office	408 341	—	408 341
	Administration			
	Research officers and economic advisers, West Bank	30 673	—	30 673
8 213 712	Administrative services	11 368 995	3 865	11 372 860
988 120	Administration and human resources office	1 105 790	—	1 105 790
590 107	Compensation and management services	826 877	—	826 877
113 153	Staff training and development	600 667	—	600 667
4 450	Joint appeals board	12 354	—	12 354
8 996 190	Financial services	9 307 555	54	9 307 609
289 337	Operations and refugees affairs officers	452 614	—	452 614
215 694	Payroll management	234 542	—	234 542
4 694 255	Personnel services	4 974 058	—	4 974 058
339 906	New finance system project	742 597	—	742 597
	Provident Fund secretariat	4 673	—	4 673
(12 054 822)	Programme support cost	(24 275 215)	—	(24 275 215)
	Liquidated commitments under food commodities	6 492 154	1 658 427	8 148 581
40 437 419	**Total, common services**	**48 760 874**	**1 660 348**	**50 421 220**
601 665 571	**Grand total**	**670 315 406**	**39 121 469**	**709 436 875**

Appendix 2
Expenditure breakdown for the biennium 2004-2005

(In United States dollars)

		Regular budget funds			Non-regular budget funds			Microfinance and microcredit programme	
Biennium 2002-2003	*Expenditure category*	*Cash*	*In kind*	*Total*	*Emergency appeal*	*Projects*	*Total*		*Grand total*
35 195 474	International staff cost	34 688 348	1 688 600	36 376 948	1 027 450	6 098 859	7 126 309		45 503 257
482 165 441	Area staff cost	505 621 057		505 621 057	48 867 331	3 654 302	52 521 633		558 142 690
129 100 491	Supplies	55 956 420	33 595 914	89 552 334	65 269 483	2 627 891	67 897 374		157 449 708
14 625 447	Premises	14 210 534	201 947	14 412 481	1 564 278	145 902	1 710 180		16 122 662
63 919 603	Equipment and constructions	26 021 429	772 730	26 794 158	37 828 260	27 128 201	64 956 461		91 750 620
51 248 699	Services	43 804 446	2 833 708	46 638 154	35 687 883	8 844 557	44 532 440		91 170 594
51 477 416	Subsidies	31 065 133	28 570	31 093 704	28 684 431	4 072 893	32 757 324		63 851 027
(63 096)	Programme support cost	(31 796 295)	—	(31 796 295)	—	—	—		(31 796 295)
(5 337 105)	Income charged to expenditure from other activities	(5 143 179)	—	(5 143 179)	—	—	—		(5 143 179)
(69 155)	Transfer to expenditure	(4 112 487)		(4 112 487)		(5 928)	(5 928)		(4 118 415)
4 043 985	MMP expenditure*							6 562 657	6 562 657
(1 708 292)	Non-regular budget commitments								
824 598 908	**Total expenditure**	**679 315 406**	**39 121 469**	**709 436 875**	**218 929 117**	**52 566 677**	**271 495 794**	**6 562 657**	**987 495 326**

* Please refer to Part III.

Appendix 3
Statement of income, expenditure and fund balances by project for the biennium 2004-2005

(In United States dollars)

		Income and Expenditure for the Year				
Fund/Projects	*Balance as at 01.01.2004*	*Income*	*Expenditure*	*Surplus/Deficit*	*Prior Years' Adjustments*	*Fund Balance as at 31.12.2005*
Regular budget funds						
General fund — cash	15 017 530	472 553 987	(478 506 814)	(5 952 827)	(6 682 929)	2 381 774
Other cash funding (PSC and other income)	15 405 762	—	2 642 551	2 642 551	16 257 368	34 305 681
General fund — cash subtotal	**30 423 292**	**472 553 987**	**(475 864 263)**	**(3 310 276)**	**9 574 439**	**36 687 454**
Restricted funds under regular budget:						
Funded by UNESCO	(330)	200 000	(251 910)	(51 910)	—	(52 239)
Funded by WHO	41 606	200 000	(146 409)	53 591	(8 000)	87 197
Protection Officer (P4), HQ(G)	—	—	(61 170)	(61 170)	61 170	—
Former emergency appeal activities	—	—	(3 452 774)	(3 452 774)	3 452 774	0
Extra costs regarding Area Staff Health Insurance	—	—	(28 865)	(28 865)	28 865	(0)
EU cash in lieu of food commodities	772 684	10 828 639	(10 009 770)	818 870	(1 320 235)	271 319
Funded from PLO	(274 156)	—	—	—	—	(274 156)
Utilization of Japanese interest	58 757	—	—	—	(58 757)	—
UNRWA's education and health programmes funded by European Community	496 688	146 501 371	(154 211 970)	(7 710 599)	(496 688)	(7 710 599)
Budgeted income and expenditure of UNRWA schools voluntary contributions	8 032	334 556	(263 267)	71 289	9 197	88 518
EC-2004 food aid (2005 implementation)	—	15 455 746	(16 273 895)	(818 148)	—	(818 148)
France 2005 food aid: regular food aid to Palestine refugees in Lebanon, Syria, and Jordan Procurement of whole milk powder	—	1 201 923	—	1 201 923	—	1 201 923
Production units in Gaza	727 319	229	8 489	8 718	—	736 037
Special contribution to UNRWA for emergency needs in the Gaza Strip for VTC (G)	—	2 799 897	(266 081)	2 533 816	—	2 533 816
Special contribution to UNRWA for emergency needs in the Gaza Strip for VTC (G)	—	279 990	—	279 990	—	279 990

Fund Projects	*Balance as at 01.01.2004*	*Income and Expenditure for the Year: Income*	*Expenditure*	*Surplus/Deficit*	*Prior Years Adjustments*	*Fund Balance as at 31.12.2005*
Special contribution to UNRWA for emergency needs in the Gaza Strip for (G) schools		6 059 777	(1 670 699)	4 389 078	—	4 389 078
Expending the Agency's psychological support programme		3 409 874	(1 330 669)	2 079 205	—	2 079 205
Establishment of Rafah Training Centre, Gaza Strip		141 272		141 272	—	141 272
For activities in Gaza		581 000		581 000		581 000
Post-Gaza disengagement projects in Gaza and the West Bank		10 385 757		10 385 757	—	10 385 757
Gaza disengagement projects		4 964 471		4 964 471	—	4 964 471
Graduate training programme in Gaza		—		—	—	—
Microfinance and disengagement supporting economic recovery and rehabilitation through microenterprise and housing credit						—
Liquidation of HCs and accrual income		9 485 613	(6 492 154)	2 993 459	—	2 993 459
Restricted funds under regular budget subtotal	**1 830 600**	**212 830 114**	**(194 451 143)**	**18 378 971**	**1 668 327**	**21 877 898**
In kind restricted funds						
General fund in kind	0	11 637 211	(11 637 211)	0	—	0
Japanese contribution	3 566 933	9 562 624	(9 530 373)	32 251	(7 168)	3 592 016
Belgium contribution	664 678	1 590 326	(2 207 073)	(616 747)	—	47 931
French contribution for flour	209 550	3 025 669	(3 049 066)	(23 397)	—	186 153
Food aid contribution — UK	1 184 081		(1 165 237)	(1 165 237)	—	18 843
EC contribution	(1 086 723)	9 673 881	(9 876 081)	(202 200)	(400 626)	(1 689 550)
Liquidation of HCs and accrual income			(1 656 427)	(1 656 427)	—	(1 656 427)
In kind restricted funds subtotal	**4 538 519**	**35 489 712**	**(39 121 469)**	**(3 631 758)**	**(407 794)**	**498 967**
Total regular budget funds	**36 792 411**	**720 873 813**	**(709 436 875)**	**11 436 937**	**10 834 971**	**59 064 320**
Non-regular budget funds						
Emergency appeal: emergency appeal — cash:						
Flash emergency appeal — medical supplies	1 322				(1 322)	—

Fund/Projects	Balance as at 01.01.2004	Income and Expenditure for the Year: Income	Expenditure	Surplus/Deficit	Prior Years Adjustments	Fund Balance as at 31.12.2005
First emergency appeal — prosthetic devices for disabled	2 217	—	(2 066)	(2 066)	(150)	—
First emergency appeal — school construction (Nuseirat)	41 552	—	(35 409)	(35 409)	(6 144)	—
First emergency appeal — contributions for the core activities	326 385	—	(253 860)	(253 860)	(70 717)	1 808
Second emergency appeal — food commodities	2 738	—	—	—	(2 738)	—
Second emergency appeal	7 206	—	(5 956)	(5 956)	(1 250)	—
Second emergency appeal	(34 600)	—	(1 732)	(1 732)	36 332	—
Second emergency appeal — post-injury physical rehabilitation	2 192	—	—	—	(2 192)	0
Emergency appeal — contributions for core activities 2001	46 512	—	(77 296)	(77 296)	32 537	1 753
Third emergency appeal — contributions for the core activities	1 570 374	—	(1 144 309)	(1 144 309)	(421 099)	4 966
Second emergency appeal — construction of additional classrooms at Biddo Basic Girls School	5 916	—	—	—	(5 916)	—
Second emergency appeal — construction of additional classrooms at Jenin Basic Girls School	30 416	—	—	—	(30 416)	—
Second emergency appeal — classrooms construction at Balata Girls School	17 124	—	(8 845)	(8 845)	(8 279)	—
Second emergency appeal — classrooms construction at Askar Girls School	17 764	—	(1 619)	(1 619)	(16 145)	—
Job creation programme — third appeal	6 682	—	—	—	(6 682)	—
Food aid, medical and educational services, job creation and cash assistance	90 078	—	(43 787)	(43 787)	—	46 291
Emergency humanitarian assistance to refugees in Gaza and West Bank, but not for food aid	(16 086)	—	(550)	(550)	16 636	—
Upgrading and equipping of Qalqilia Health Centre	7 084	—	—	—	(7 084)	—
Construction of distribution centre at Aqbat Jaber camp	9 437	—	—	—	(9 437)	—
Construction and equipping of additional rooms at Bir Zeit Girls School — second emergency appeal	32 295	—	(3 593)	(3 593)	(28 702)	—

Fund/Projects	Balance as at 01.01.2004	Income and Expenditure for the Year: Income	Expenditure	Surplus/Deficit	Prior Years' Adjustments	Fund Balance as at 31.12.2005
Construction and equipping of additional rooms at Jenin Basic Girls School — second emergency appeal	22 817	—	(1 446)	(1 446)	(18 111)	3 260
Construction and equipping of classrooms at Hebron Boys School — second emergency appeal	6 648	—	(673)	(673)	(5 976)	0
Construction and Equipping of Classrooms at Ramallah Men Training Centre — 2nd Emergency Appeal	21 887	—	—	—	(21 887)	—
Construction and Equipping of Classrooms at Ramallah Women Training Centre — 2nd Emergency Appeal	7 384	—	—	—	(7 384)	—
Construction of Additional Classrooms at Biddo Basic Girls School — 2nd Emergency Appeal	6 270	—	(839)	(839)	(5 432)	—
Construction of Additional Classrooms at Balata Girls School — 2nd Emergency Appeal	25 217	—	—	—	(25 217)	—
Construction of Additional Classrooms at Askar Girls School	51 480	—	0	0	(51 481)	—
Construction and Equipping of Classrooms at Hebron Boys School	41 056	—	—	—	(41 056)	—
Construction and Equipping of Classrooms at Ramallah Men Training Centre — 2nd Emergency Appeal	6 037	—	—	—	(6 037)	—
Construction and Equipping of Additional Blocks at Arroub Girls School — 3rd Appeal	63 358	—	(34 337)	(34 337)	(22 959)	6 062
Distribution Costs of MT 8,030 of Flour for Gaza and West Bank — 3rd Appeal	165 219	—	(31 893)	(31 893)	—	133 326
Contributions for the core activities — Job Creation Programme 2002	40 529	—	(20 052)	(20 052)	(20 477)	—
2002 Emergency Appeal	15 821	—	(15 649)	(15 649)	—	172
Cash Assistance for Gaza and West Bank	2 942	—	(2 941)	(2 941)	(1)	—
Emergency Food Aid to Gaza Strip under the Third Emergency Appeal	1 330	—	—	—	(1 330)	—
2002 Emergency Appeal	20 360	18 940	(33 339)	(14 399)	—	5 961
Emergency Appeal Activities in Gaza and West Bank — 2002	3 329	—	—	—	(3 329)	0

Fund/Projects	Balance as at 01.01.2004	Income and Expenditure for the Year: Income	Expenditure	Surplus/Deficit	Prior Years Adjustments	Fund Balance as at 31.12.2005
Contributions for the core activities — 2002 4th Appeal	3 591 243	—	(2 827 621)	(2 827 621)	(713 240)	50 381
Support to Emergency Appeal, Gaza and West Bank	204 955	—	(159 570)	(159 570)	(45 385)	0
UNRWA's 2002 Emergency Appeal in Gaza and West Bank — Emergency Health Programme	26 945	—	1	1	16 326	43 272
UNRWA 2002 Emergency Appeal in the Gaza Strip and West Bank — Emergency Shelter Repair and Reconstruction	2 060	—	—	—	(2 060)	—
Emergency Appeal Activities in Gaza and West Bank — 2002	835 913	—	(699 958)	(699 958)	(10)	135 944
Environmental Health and Waste Management	(18 945)	—	(848)	(848)	19 793	—
Rehousing of refugees whose shelters were demolished in Rafah, Gaza Strip	33 246	—	(33 242)	(33 242)	(4)	—
Construction and Equipping of 4 Additional Classrooms and 3 Specialized Rooms at Qalqilia Girls School	162 468	—	(15 678)	(15 678)	(146 791)	0
Contributions for the core activities — 2002 Emergency Appeal for Jenin Camp	712 252	—	281	281	(712 456)	77
Construction and Equipping of 4 Additional Classrooms and 3 Specialized Rooms at Aqbat Jaber Co-Education School	92 670	—	—	—	(92 670)	—
Construction, Furnishing and Equipping of Basic Boys' School at Nur-Shams Camp, West Bank	554 265	—	(293 894)	(293 894)	(260 371)	0
Emergency Appeal Earmarked for 5 of UNRWA's Health Centres in West Bank in Askar, Balata, Dheisheh, Tulkarem and Aida Camps	0	—	1 492	1 492	—	1 492
Emergency Appeal 2002 — Contributions for the core activities to be used to charge Supplementary cost of decentralizing the operations at West Bank Field Office, equipping the Area/Sub Area Office to facilitate the work	(450 216)	0	(114 386)	(114 386)	571 998	7 396
Rehousing Project (Damaged Shelters) — UNRWA's Third Emergency Appeal	114 376	—	(226 910)	(226 910)	112 534	—
UNRWA's 2002 Emergency Appeal Educational Institutions of UNRWA in a Refugee Camp	34 336	—	(34 336)	(34 336)	(0)	—

Fund Projects	*Balance as at 01.01.2004*	*Income and Expenditure for the Year*			*Prior Years Adjustments*	*Fund Balance as at 31.12.2005*
		Income	*Expenditure*	*Surplus/Deficit*		
UNRWA's Third Emergency Appeal Reconstruction, Equipping and Furnishing of Kalandia Health Centre, West Bank	35 372	—	—	—	(35 372)	—
UNRWA's Third Emergency Appeal Reconstruction, Equipping and Furnishing of Askar Health Centre, West Bank	79 732	0	—	0	(79 732)	—
UNRWA's 2002 Emergency Appeal to Procure Food and Medical Supplies, Gaza Strip and West Bank	1 649	—	—	—	(1 649)	—
2002 Emergency Appeal for Gaza and West Bank	10 399	—	—	—	—	10 399
UNRWA's 2002 Emergency Appeal for AGFUND Initiative for Assistance to The Palestinian People Emergency Drugs and First Aid Material	(90 997)	90 996	—	90 996	1	—
UNRWA's 2002 Emergency Appeal for Medical Supplies	3 365	—	—	—	(3 365)	—
UNRWA's 2002 Emergency Appeal for Mobile Clinical Services	12 699	—	—	—	(12 699)	—
UNRWA's 2002 Emergency Appeal — In-Kind Assistance to Poor Schoolchildren	6 101	—	—	—	(6 101)	—
UNRWA's 2002 Emergency Appeal for Food Aid Component	5 996	—	(4 591)	(4 591)	—	1 405
UNRWA's 2002 Emergency Appeal Earmarked towards "Jenin Camp Rehabilitation" — Phase I	5 859 215	11 220 748	(16 212 919)	(4 992 171)	—	867 045
UNRWA's Third Emergency Appeal "Community Works in Camps and Villages" — Job Creation Programme	143 632	—	(67 439)	(67 439)	(76 193)	—
UNRWA's Third Emergency Appeal "Emergency Food Distribution"	16 846	—	(873)	(873)	(15 974)	—
2002 Emergency Appeal "Reporting Officer at External Relations Department", HQ(G)	210 659	—	(192 604)	(192 604)	963	19 018
2002 Emergency Appeal "Rehabilitation of Palestine Refugee Shelters in the Gaza Strip"	832 855	—	(832 855)	(832 855)	(0)	—
2002 Emergency Appeal "Khan Younis Rehousing Project"	1 802	—	(1 802)	(1 802)	(0)	—
Financial Aid to Registered Palestine Refugee Families	10 000	—	(9 998)	(9 998)	(2)	—

Fund Projects	Balance as at 01.01.2004	Income and Expenditure for the Year: Income	Expenditure	Surplus/(Deficit)	Prior Years' Adjustments	Fund Balance as at 31.12.2003
Tuition Assistance to Palestine Refugee Students	10 000	—	(9 975)	(9 975)	—	25
Rehousing of Refugees whose shelters were demolished in Khan Younis, Gaza — Funded from Savings under Japanese 1993 SProject	145 237	6 500	(149 505)	(143 004)	(0)	2 232
5th Emergency Appeal January-June 2003	41 257	—	(42 252)	(42 252)	995	—
5th Emergency Appeal January-June 2003	71 910	—	—	—	(71 910)	—
5th Emergency Appeal January-June 2003	643 459	—	(629 477)	(629 477)	(13 981)	—
Fifth Emergency Appeal: January-June 2003	2 157 798	0	(2 068 894)	(2 068 894)	—	88 904
Fifth Emergency Appeal: Syrian Arab Popular Committee	59 546	—	(57 367)	(57 367)	—	2 179
Emergency Appeal	1 341	—	(1 333)	(1 333)	(8)	—
Emergency food aid in the West Bank	(243 242)	526 331	(238 352)	287 979	(44 737)	—
Emergency Food Aid in the Gaza Strip	(121 311)	738 096	(557 973)	180 123	(58 812)	—
Procurement of 6 Vehicles (Nissan Terranos) funded by OCHA	2 268	—	—	—	—	2 268
Fifth Emergency Appeal — 2003, Emergency Medical Supplies for the Gaza Strip	157 192	—	(157 133)	(157 133)	(59)	—
Improvement of Health Infrastructure in the West Bank	252 738	—	(157 972)	(157 972)	(72 765)	22 001
Strengthening Environmental Health and drinking water services in refugee camps in the West Bank	—	98 353	(98 353)	(0)	0	0
Fifth Emergency Appeal, Emergency Shelter Repair and Rehabilitation in West Bank	—	817 781	(771 368)	46 413	(46 413)	(0)
Emergency Psychosocial Counselling Programme in the West Bank, the Engagement of 50 School Counsellors	—	69 640	(56 044)	13 596	—	13 596
Rehousing in Rafah	—	1 104 111	(1 026 995)	77 116	—	77 116
Psychological Support to the Refugees' Children in the West Bank	—	222 149	(38 203)	183 945	—	183 945
5th Emergency Appeal: January-June 2003	1 568 252	0	(1 341 884)	(1 341 884)	(62 964)	141 403
Sixth Emergency Appeal July-December 2003	27 129	—	(27 120)	(27 120)	(9)	—
Sixth Emergency Appeal July-December 2003 Cash assistance to families most in need in the Gaza Strip	133 070	—	(133 070)	(133 070)	0	—

Fund/Projects	Balance as at 31.12.2002	Income and Expenditure for the Year: Income	Expenditure	Surplus/(Deficit)	Prior Years' Adjustment	Fund Balance as at 31.12.2003
Sixth Emergency Appeal: July-December 2003	19 239 506	(367)	(18 750 591)	(18 750 959)	...	488 547
Sixth Emergency Appeal: July-Dec 2003 VAT Refunds from PA from Contributions to previous Emergency Appeals	234 433	...	(234 425)	(234 425)	(9)	(1)
Emergency Appeal (July-December)	148 575	...	(144 699)	(144 699)	...	3 875
2003 Emergency Appeal (July-December 2003)	4 982 520	...	(4 915 604)	(4 915 604)	...	66 916
Sixth Emergency Appeal July-December 2003	8 379 105	480 000	(8 310 543)	(7 830 589)	(112 617)	135 899
Sixth Emergency Appeal (July-December 2003) Emergency medical supplies, Gaza	289 133	...	(288 950)	(288 950)	(183)	...
Rehousing Programme in Gaza to help homeless families in Rafah	1 413 427	...	(1 414 426)	(1 414 426)	(1)	...
To cover the services of SRSA team from 1 November 2003 to 31 December 2003	167 146	...	(167 146)	(167 146)	0	...
Sixth Emergency Appeal (July-December 2003)	1 138 680	...	(1 138 506)	(1 138 506)	...	174
Home Demolition: Gaza	10 000	...	(9 837)	(9 837)	(163)	...
Emergency employment creation project in the Gaza Strip Occupied Palestinian Territories	...	3 721 062	(3 545 138)	(117 106)	57 936	...
Emergency employment creation project in the West Bank Occupied Palestinian Territories	...	2 476 234	(2 476 490)	(62 272)	(8 457)	(55 945)
Providing a portable doppler foetal monitor and Portable haemoglobinometer for UNRWA's Emergency Mobile Clinic operating in the Palestinian Enclaves in the West Bank	1 633	...	(300)	(790)	(1 000)	42
Support of Psychosocial Programme in Palestine	...	19 930	(19 331)	599	...	599
Rehousing in Rafah	...	...	(438 640)	(438 640)	950 112	1 456
Improvement of Health Infrastructure in the West Bank	...	...	(37 084)	(37 084)	72 765	35 731
Purchase of Medical equipment that is needed in Health Centers in the West Bank	...	...	(313 692)	(313 692)	313 197	1 865
Upgrading of the laboratory at Askar Health Centre and/or the purchase of medical equipment	...	...	(1 226)	(1 226)	44 811	43 585
Shelter Rehabilitation for special hardship cases in the Gaza Strip	...	...	(181 477)	(181 477)	83 523	2 047
Emergency Appeal 2004	...	997 564	(777 961)	219 603	...	219 603

Fund/Projects	Balance as at 01.01.2004	Income	Expenditure	Surplus/(Deficit)	Prior Years Adjustments	Fund Balance as at 31.12.2004
		Income and Expenditure for 2004				
2004 Emergency Appeal	1 187 648	11 934 464	(11 042 275)	892 190		2 079 838
Seventh Emergency Appeal: January-December 2004		105 580	(99 897)	5 683		5 683
Transfer of fund balances against previous contributions — Gaza Field	78		(1 508)	(1 508)	7 697	6 267
2004 Emergency Appeal in Gaza and West Bank		451 096	(289 577)	161 519		161 519
2004 Emergency Appeal		751 848	(734 262)	17 587	(17 587)	0
To cover the Services of the SRSA Team (for three months, two staff and one vehicle)		374 575	(374 575)	0	(0)	(0)
2004 Emergency Appeal (January-December 2004)		5 231 633	(5 231 632)	1	—	1
Food Aid, Employment Generation, Shelter Reconstruction and Emergency Health and Education		1 498 000	(1 491 442)	6 558	(6 558)	0
Transfer of Fund Balances against Previous Contributions, West Bank	421	—	(619 444)	(619 444)	1 603 186	984 163
Self-Learning Materials in Gaza		309 621	(296 686)	12 935	—	12 935
Medical Equipment and Supplies in Gaza		895 034	(890 493)	4 541	—	4 541
Mobile Clinic in the West Bank		313 048	(312 414)	634		634
2004 Emergency Appeal for Gaza and West Bank	—	5 178	(5 178)	0	(0)	(0)
Requirements for UNRWA's Emergency Health Activities in the West Bank — Stage I: Medical Equipment		143 325	(139 357)	3 968	—	3 968
Emergency Selective Cash Assistance Programme (Relocation Fees)		1 034 831	(1 036 586)	(1 755)	1 755	0
To Extend the Operation Support Office) Programme in Gaza and West Bank		547 440	(447 201)	100 239	—	100 239
Food Assistance, Carry out Emergency Employment Programmes, Repair and Construct Shelters and Provide Cash Assistance to families in dire need		19 452 560	(18 491 173)	961 387	—	961 387
2004 Emergency Appeal	—	487 805	(476 089)	11 716	—	11 716
Environmental Health Project/Activity in Gaza	—	21 327	(21 189)	138	—	138
2004 Emergency Appeal, UNRWA's International Staff	—	6 675	(6 656)	19	—	19
Emergency Shelter Supply Assistance		147 059	(183 824)	(36 765)	—	(36 765)

Fund/Project	Balance as at 31/12/2003	Income and Expenditure for the Year: Income	Expenditure	Surplus/(Deficit)	Prior Years' Adjustment	Fund Balance as at 31/12/2005
Cost of Storage, Local Transport and Insurance for in-kind Contribution of canned Fish	22 416	(16 784)	5 632			5 632
Emergency Cash Assistance to Families affected by the demolition in Rafah	60 000	(60 000)				
Emergency food aid in the West Bank	1 039 427	(1 039 764)	(337)	337		(0)
Emergency Food Assistance in the Gaza Strip	1 234 753	(1 543 442)	(308 689)			(308 689)
VAT refund from contributions to previous Emergency Appeals		(11 331 923)	11 331 923	1 576 798		244 875
2004 Emergency Appeal after school activities programme in the Gaza Strip	283 044	(249 283)	(4 761)	(34 761)		(0)
Summer activities for schoolchildren in the West Bank	203 167	(223 084)	(19 917)			(19 917)
2004 Emergency Appeal — Emergency Employment Creation in Gaza Strip	1 683 755	(2 104 693)	(420 938)			(420 938)
2004 Emergency Appeal — Emergency Employment Creation in the West Bank	1 380 619	(1 387 316)	(6 697)	6 697		(0)
Emergency Food Aid for the Gaza Strip and West Bank	1 203 369	(1 128 961)	74 408	(74 408)		(0)
Maintenance and Upgrading of Refugee Camps Infrastructure through Employment Generation in the West Bank and Shelter Rehabilitation for Special Hardship Cases in Gaza	1 356 847	(1 058 867)	297 981			297 981
Emergency Food Aid for the Gaza Strip and West Bank	1 272 260	(1 272 260)	0	(0)		(0)
2004 Emergency Appeal	15 584 519	(4 920 883)	10 663 636	—		10 663 636
2004 Emergency Appeal	20 000 000	(18 551 227)	1 448 773	—		1 448 773
Rehousing of Refugees whose shelters were demolished in Rafah				737 788		737 788
2004 Emergency Appeal for the Gaza Strip and West Bank	2 865 752	(2 865 752)				
2004 Emergency Appeal for activities in Gaza	1 639 344	(1 639 344)	0	(0)		0
Emergency Cash Assistance to families in Jabalia and Beit Hanoun	38 685	(38 685)				
Emergency Food Aid for West bank and Gaza Strip	663 130	(662 821)	309	(309)		(0)

Fund Projects	Balance as at 01.01.2004	Income and Expenditure for the Year: Income	Expenditure	Surplus/(Deficit)	Prior Years' Adjustments	Fund Balance as at 31.12.2004
Cash Assistance for needy families in four camps in Gaza Strip	—	8 000	(8 000)	—	—	—
2004 Emergency Appeal for the Gaza Strip and West Bank	—	795 756	(629 990)	165 766	—	165 766
2004 Emergency Appeal for the Gaza Strip and West Bank	—	3 359 179	(3 331 100)	28 079	—	28 079
Emergency cash assistance to affected families in Khan Younis	—	13 000	(13 000)	—	—	—
Selective Cash Assistance in the Gaza Strip	—	678 139	(678 139)	0	(0)	(0)
Supplementary Appeal for Rafah	—	318 450	(300 367)	18 083	—	18 083
Supplementary Appeal for Rafah	—	14 255	(14 254)	1	(1)	(0)
Supplementary Appeal for Rafah	—	7 000	(7 000)	—	—	—
Supplementary Appeal for Rafah — Medical requirements and rehousing and shelter repair	—	341 400	(341 399)	1	(1)	(0)
Supplementary Appeal for Rafah	—	746 260	(745 532)	737	(737)	0
Supplementary Appeal for Rafah UK	—	803 971	(746 708)	57 264	—	57 264
Supplementary Appeal for Rafah, Rafah Children Reconstruction of Housing and Urban Infrastructures damaged by the Israeli army during the month of May 2004	—	15 655	(15 655)	—	—	—
Supplementary Appeal for Rafah	—	1 211 894	(1 211 892)	3	(3)	(0)
Supplementary Appeal for Rafah	—	158 637	(158 597)	40	—	40
Supplementary Appeal for Rafah	—	407 051	(406 101)	950	—	950
Emergency selective cash assistance, emergency relief non-food items and repairs in the Gaza Strip	—	1 770 879	(1 828 098)	(48 219)	—	(48 219)
Supplementary Appeal for Rafah	—	663 130	(662 834)	296	—	296
2005 Emergency Appeal	—	12 577 686	(6 914 981)	5 662 706	—	5 662 706
2005 Emergency Appeal	—	60 315	(30 576)	29 739	—	29 739
Reconstruction of Houses in the Gaza Strip	—	178 336	(165 666)	12 670	—	12 670
Emergency Employment in the West Bank (Indirect Hire)	—	914 630	(851 967)	62 663	—	62 663
Emergency Food Aid for the Gaza Strip and West Bank	—	1 206 268	(1 108 521)	97 744	—	97 744
Rehousing in Gaza	—	12 391 047	(6 160)	12 384 887	—	12 384 887

Fund/Projects	*Balance as at 01.01.2004*	*Income and Expenditure for the Year*			*Prior Years' Adjustments*	*Fund Balance as at 31.12.2005*
		Income	*Expenditure*	*Surplus/Deficit*		
Emergency Appeal for Indirect Hire	—	2 608 953	(2 330 875)	278 078	—	278 078
Repair of 645 Houses in the Gaza Strip	—	419 000	(192)	418 808	—	418 808
Cost of storage, local transport and insurance related to in-kind contribution	—	59 196	(38 569)	20 627	—	20 627
2005 Emergency Appeal — To cover the services of the SRSA team (for three months, two staff and one vehicle)	—	409 551	(185 439)	224 112	—	224 112
2005 EMERGENCY APPEAL	—	4 992 051	(4 962 620)	29 431	—	29 431
Rehousing the Palestinian Refugees Families in Rafah	—	—	(18 952)	(18 952)	—	(18 952)
Emergency Employment Direct Hire (Gaza and West Bank) Emergency Repair of Damaged Infrastructure and Reconstruction of Shelters (Gaza)	—	1 559 600	(683 341)	876 259	—	876 259
Improving the Living Conditions of Refugees	—	826 446	(755 246)	71 200	—	71 200
2005 Emergency Appeal	—	695	(493)	203	—	203
2005 Emergency Appeal	—	20 000 000	(10 258 854)	9 741 146	—	9 741 146
2005 Emergency Appeal Employment generation programme in the West Bank	—	3 377 563	(2 359 046)	1 018 518	—	1 018 518
2005 Emergency Appeal Emergency Food Aid in the Gaza Strip	—	1 409 915	(1 567 054)	(157 139)	—	(157 139)
2005 Emergency Appeal Emergency Food Aid in the West Bank	—	1 008 464	(1 256 989)	(248 525)	—	(248 525)
2005 Emergency Appeal Emergency Food Aid for Gaza and West Bank	—	1 201 923	(593 604)	608 319	—	608 319
2005 Emergency Appeal	—	1 800 000	(1 049 400)	750 600	—	750 600
2005 Emergency Appeal Food Aid for the West Bank	—	3 151 765	—	3 151 765	—	3 151 765
Miscellaneous Emergency Projects	5 641	—	(1 551)	(1 551)	20 721	24 812
Liquidation of HCs and Accrual Income	76 142	26 408 078	(10 497 260)	15 910 818	(76 142)	15 910 818
Emergency Appeal — Cash Subtotal	**57 682 936**	**224 696 541**	**(213 223 156)**	**11 473 385**	**1 943 873**	**71 100 194**

Fund/Projects	Balance as at 01.01.2004	Income and Expenditure for the Year: Income	Expenditure	Surplus/Deficit	Prior Years Adjustments	Fund Balance as at 31.12.2005
Emergency Appeal — In-kind:						
International staff for Jenin Project contracted by DFID	—	1 706 789	(1 706 789)	—	—	—
Donations received towards Emergency Appeal Activities in 2003 (July-December 2003)	—	80 000	(80 000)	—	—	—
Donations received towards Emergency Appeal Activities	—	525 739	(525 739)	0	(0)	0
In-kind Contribution of Canned Fish	—	762 769	(762 769)	—	—	—
Donations received towards Emergency Appeal Activities in 2005 (January-December 2005)	—	1 850 480	(1 850 480)	—	—	—
In-kind contribution of canned fish	—	780 185	(780 185)	—	—	—
Emergency Appeal — In-kind Subtotal	—	**5 705 962**	**(5 705 961)**	**0**	**(0)**	**0**
Emergency Appeal Total	**57 682 936**	**230 402 503**	**(218 929 117)**	**11 473 386**	**1 943 873**	**71 190 194**
Projects:						
Post 1999 Projects:						
Cost of Financial Management System	67 301	—	(67 299)	(67 299)	(2)	—
Technical Assistance in Education Planning — In-kind Donation	—	85 983	(63 838)	22 145	—	22 145
Training of Engineering Staff	6 586	—	—	—	(6 586)	—
Computer and Information Technology Initiative	37 435	—	(17 894)	(17 894)	(67)	19 474
UNRWA's Education Management Information System	29 166	—	(11 433)	(11 433)	—	17 733
Shelter Rehabilitation — Agency wide	32 796	—	(5 408)	(5 408)	(27 388)	—
Running Costs of the Existing 4 Kindergartens in Lebanon	6 573	152 330	(153 195)	(865)	2 175	7 884
Junior Professional Officer; Frank Schipper	9 453	—	—	—	(9 453)	—
Equipment of Industrial Electronic Course at Ramallah Men Training Centre	9 028	1 303	(10 331)	(9 028)	0	—
P3 Safety Biology Laboratory at Central Public Health	37 621	—	—	—	(37 621)	—
UNRWA's Liaison Office in Geneva	15 105	—	(13 012)	(13 012)	—	2 093

Fund/Projects	*Balance as at 01.01.2004*	*Income and Expenditure for the Year*			*Prior Years' Adjustments*	*Fund Balance as at 31.12.2005*
		Income	*Expenditure*	*Surplus/Deficit*		
Construction and Equipping of Maghazi Preparatory School	90 773	—	—	—	(90 773)	—
Construction and Equipping of Jabalia Preparatory C Elementary E Girls School	48 684	—	—	—	(48 684)	—
Construction and Equipping of Farabi Elementary Co-education School	113 107	—	—	—	(113 107)	—
Construction and Equipping of 10 Classrooms and 2 Specialized Rooms at Kalandia Boys School	(4 884)	—	—	—	4 884	—
Construction and Equipping of 9 Classrooms and Specialized Rooms at Sourif Girls School	26 464	—	—	—	(26 464)	—
Project Manager for Family Files — Refugees Registration Information System	18 520	—	—	—	0	18 520
Junior Professional Officer; Elna Seondergaard — Legal	17 793	—	(4 849)	(4 849)	(12 944)	—
Junior Professional Officer, Marlene Arce Camp — Public Information and Project Officer	61 949	—	(57 381)	(57 381)	—	4 568
Establishing of French Teacher Training Section at Siblin Training Centre	40 824	—	1	1	(40 825)	—
Construction and furnishing of 9 Classrooms at two UNRWA Preparatory Schools	20 798	—	—	—	(20 798)	—
Reconstruction of Jenin Health Centre — West Bank	35 140	—	—	—	(35 140)	—
Construction and Equipping of Abu Tuaima Elementary Co-education School	(97 447)	119 290	—	119 290	(21 842)	—
Construction and Equipping of Khan Younis Preparatory C Girls School	20 286	119 207	—	119 207	(139 493)	—
Shelter Rehabilitation — Gaza	(693 117)	—	—	—	693 117	—
Reconstruction of Dheisheh Boys School	107 479	183 479	(72 144)	111 335	(218 814)	—
Reconstruction of Auja Co-education School	119 678	73 301	(50 782)	22 519	(142 197)	—
Replacement of Balata Health Centre	32 831	1 488	—	1 488	(34 318)	—
Replacement of Dheisheh Health Centre	(2 450)	36 768	—	36 768	(34 318)	—
Construction and Equipping of 4 Additional Classrooms and 3 specialized rooms at Doura Girls School	22 057	35 903	(10 264)	25 639	(47 696)	—

Fund/Projects	Balance as at 01.01.2004	Income and Expenditure for the Year: Income	Expenditure	Surplus/Deficit	Prior Years Adjustment(s)	Fund Balance as at 31.12.2005
Construction and Equipping of 5 Additional Classrooms and 4 specialized rooms at Doura Boys School	(1 321)	71 301	(15 931)	55 369	(54 049)	0
Furnishing and Equipping of the Alliance Health Centre in Damascus	8 452	—	—	—	(8 452)	—
Expansion of Irbid Health Centre	1 116	—	—	—	(1 116)	—
Upgrading and Mechanization of Solid Waste Collection and Removal from Jabalia and the Middle Camps	46 929	—	(60 538)	(60 538)	13 609	—
Reconstruction of Science Laboratory/Learning Resource Centre at Safsaf Elementary/Tiberias Preparatory Boys School	24 621	—	—	—	—	24 621
Construction and Equipping Beit Jala and Bir Zeit Co-education School in Saida Area	(28 652)	—	—	—	—	(28 652)
Dera'a — Reconstruction of the Dera'a Children Rehabilitation Centre	(36 030)	—	—	—	—	(36 030)
Scholarship Fund for Palestine Refugee Women in Lebanon	114 846	875 044	(857 324)	17 720	—	132 566
Major Dental Equipment for Zarka and Baqa'a Health Centre	8 410	—	—	—	(8 410)	—
Dental Instruments for Zarka and Baqa'a Health Centre	(8 303)	—	—	—	8 303	—
Psychological Counselling Project	610 738	—	(575 589)	(575 589)	(35 149)	—
Slow Learner Programme in Jordan	16 391	—	(4 330)	(4 330)	(12 060)	—
Conversion of Ein El-Hilweh Mother and Child Health Sub-Center to Health Centre in Lebanon	6 649	—	(448)	(448)	(6 201)	—
Improvement of Environmental Health Conditions Pathways/Drains in Refugee Camps on Self-help Basis in Lebanon	3 356	—	(748)	(748)	(2 608)	—
Junior Professional Officer, Ms. Nicole Ruder, Projects Officer, Lebanon	14 639	—	(4 005)	(4 005)	(10 634)	—
Junior Professional Officer Projects Officer at External Relations Department	15 272	—	(10 077)	(10 077)	—	5 196
Upgraded Response Access; One Legal Officer and One Admin. Officer	5 640	—	—	—	—	5 640

Fund/Projects	*Balance as at 01.01.2004*	*Income and Expenditure for the Year*			*Prior Years' Adjustments*	*Fund Balance as at 31.12.2005*
		Income	*Expenditure*	*Surplus/Deficit*		
Construction and Equipping of Wadi Rayyan Preparatory Boys and Girls School	33 433	—	(31 797)	(31 797)	(1 636)	—
Establishing of a Health Point Centre at Kraymeh	1 485	—	(1 482)	(1 482)	(2)	—
Establishing of a Health Point Centre at Masharie	5 676	—	(5 668)	(5 668)	(8)	—
Neirab Rehabilitation Project — Phase I: Construction of 39 of an initial 148 Housing Units in Ein el Tal Camp	41 812	—	(41 806)	(41 806)	(6)	—
Micro-credit and Poverty Alleviation II	24 547	—	(7 500)	(7 500)	(17 047)	—
Human Resources Development	13 058	—	(11 291)	(11 291)	(1 767)	—
Upgrading/Replacement of Equipment at the 8 Vocational Training Centres	23 205	—	(22 540)	(22 540)	(665)	—
Computer Information and Technology Initiative Phase IV	85 605	—	(71 461)	(71 461)	(41)	14 103
Development of English Language Ability English for Empowerment for Instructors and Trainers at Vocational Training Centres	41 114	—	(40 907)	(40 907)	—	207
Extension of Promoting Tolerance, Conflict Resolution and Basic Human Rights in Gaza Strip and West Bank	139 677	—	(139 229)	(139 229)	(448)	—
Slow Learner Programme in Jordan	(5 999)	—	(1 540)	(1 540)	7 539	—
Construction and Equipping Additional Classrooms at Jenin Girls School	(52 637)	54 287	—	54 287	(1 650)	—
Improvement of Home Economics Unit at Rafah Preparatory A Girls School	31 888	—	—	—	(31 888)	—
Development of Library at Rimal Preparatory Girls and Gaza Elementary C co-education School	21 155	—	—	—	(21 155)	—
Construction of Physiotherapy Unit at Rafah Health Center	13 152	—	—	—	(13 152)	—
Construction of Physiotherapy Unit at Khan Younis Health Center	11 715	—	—	—	(11 715)	—
Cost of immunosuppressant medications needed by persons who have received kidney transplants	26 198	—	(26 092)	(26 092)	—	106
School Construction and Expansion Programme in Lebanon	152 106	—	(95 431)	(95 431)	(56 676)	—
Integration of Visually Impaired children	13 152	—	(13 150)	(13 150)	(2)	—

Fund Projects	Balance as at 01.01.2004	Income and Expenditure for the Year: Income	Expenditure	Surplus/Deficit	Prior Years Adjustments	Fund Balance as at 31.12.2005
Junior Professional Officer Post of "Information Officer" in the Public Information Office, Headquarter (Gaza)	37 446	83 043	(106 444)	(23 401)	(14 045)	—
Establishment of Rehabilitation Unit for Cerebral Palsy Cases at Jenin Rehabilitation Centre	8 400	—	(8 400)	(8 400)	—	—
Equipping and Furnishing the Toy Library at Balata Community Rehabilitation Centre	8 400	—	(8 344)	(8 344)	(56)	—
Animation Activities at Al-Rowwad of Aida Youth Activity Centre	24 000	—	(24 000)	(24 000)	0	—
Provision of School Furniture and Equipment for Jarash Elementary and Preparatory Boys School in Jordan	2 138	—	—	—	(2 138)	—
Environmental and Sanitation Project, Gaza Strip and West Bank Refugee Camps	4 686 163	1 670 342	(6 869 268)	(5 198 926)	—	(512 763)
Junior Professional Officer Position in UNRWA's Gaza Field Office Special Assistant to DUO/G and DOPs	(47 458)	103 090	(55 609)	47 481	(23)	—
School Construction and Expansion Programme in Lebanon "Reconstruction and Equipping of Naqab Preparatory School, Rashidieh Camp"	349 019	—	(403 680)	(403 680)	56 676	2 015
Promoting Tolerance, Conflict Resolution and Basic Human Rights in UNRWA Schools in Jordan, Syria and Lebanon	25 894	—	—	—	(25 894)	—
Construction and Equipping of Jabalia Elementary C and Ayoubiya Boys School	(10 260)	151 362	(141 064)	10 298	0	38
Construction of Community Centre in Qabr Essit Camp, Syria	1 713	—	(1 713)	(1 712)	(1)	—
Junior Professional Officer Post of "Research Officer", in West Bank	(21 623)	96 506	(87 942)	8 564	—	(13 059)
Establishing of Banking and Financial Management Course at Damascus Training Centre, Syria	58 148	2 678	(59 466)	(56 788)	4 550	5 909
Self-Help Pavement of Alleyways in Beach Refugees Camp, Gaza	1 306	1 706	(3 001)	(1 295)	(11)	—
Gravity Main Interceptor in Deir el-Balah, Gaza Strip	344 056	—	(129 434)	(129 434)	(214 622)	—

Fund/Projects	Balance as at 01.01.2004	Income and Expenditure for the Year: Income	Expenditure	Surplus/Deficit	Prior Years Adjustments	Fund Balance as at 31.12.2005
Humanitarian Aid for Palestinian Victims of the Humanitarian Crises in the Palestinian Territories, Lebanon, Jordan and Syria	(192 281)	227 041	0	227 041	(34 759)	—
Shelter Rehabilitations in Refugee Camps — Syria	(116 423)	146 997	—	146 997	(30 574)	—
Shelter Rehabilitations in Refugee Camps — Jordan	(16 903)	41 530	—	41 530	(24 627)	—
Operations Support Officer Programme in West Bank and International Programme and Liaison Officer for the Gaza Strip	187 599	—	(168 814)	(168 814)	(3 069)	15 716
Income generation opportunity for the community centre in Shu'fat refugee camp Supplementary Arrangement to the Arrangement towards "Establishing of Community Centre at Shu'fat Camp"	23 888	—	(17 819)	(17 819)	—	6 068
Construction of a New UNRWA Preparatory Boys and Girls School at A-Husseinieh Syria (2 supplementary arrangements)	85 421	—	(84 927)	(84 927)	(494)	—
Promoting Tolerance, Conflict Resolution and Basic Human Rights in UNRWA Schools (Production of Stories) in Jordan, Syria and Lebanon	11 620	—	(11 533)	(11 533)	(87)	—
Expansion of Al Husseinieh Health centre, Syria	25 524	—	(25 517)	(25 517)	(7)	—
Introduction of Clothing Technology Course at the Damascus Training Centre, Syria	116 617	—	(68 835)	(68 835)	—	47 782
Typing and Data Entry Course for Girls at the Siblin Training Centre, Lebanon	7 775	—	(7 242)	(7 242)	(533)	—
English Language Club at Damascus Training Centre, Syria	8 856	—	(8 855)	(8 855)	(1)	—
Costs Related to the Brainstorming Workshop in Beirut for RSSD Staff to be held in November 2002	4 977	159	(5 136)	(4 977)	(0)	—
Purchase-2 Drain Clearing Equipment for Sanitation Department in Syria	5 800	—	(5 775)	(5 775)	(25)	—
Construction and Furnishing of Canteen and up to fifteen classrooms at two UNRWA schools in Gaza Strip	2 408	—	—	—	(2 408)	—
Equipping and Furnishing of Two Toy Libraries at Two Community Rehabilitation Centres in the Gaza Strip	1 441	—	(975)	(975)	(465)	—

Fund Projects	Balance as at 01.01.2004	Income and Expenditure for the Year: Income	Expenditure	Surplus/Deficit	Prior Years' Adjustments	Fund Balance as at 31.12.2005
Enhancing the Agency's Public Information Office's Communication Capacity: Posts, Training and Equipment Needs	48 518	—	(43 073)	(43 073)	—	5 445
Provision of computers for the existing workshop at Sur Baher Girls' School	1 303	—	—	—	(1 303)	—
Mechanization of solid waste disposal, Jordan	54 401	—	(54 401)	(54 401)	(0)	—
Designing and construction of Nuseirat pumping station, Gaza	141 458	—	(4 863)	(4 863)	(136 595)	—
Construction and furnishing of up to eighteen additional classrooms at Bureij Preparatory Boys' School	343 062	—	(259 826)	(259 826)	—	83 236
Construction of five additional classrooms and providing computers to the laboratory at Nimrin Preparatory School, Lebanon	252	1 668	(50)	1 618	—	1 870
Construction of Nuseirat pumping station, Gaza	875 000	—	(287 820)	(287 820)	255 087	842 267
Additional construction works at UNRWA's schools in Kalandia camp	(98 942)	—	—	—	98 942	—
Construction and furnishing of 4 classrooms at Nuseirat Elementary "B & D" Girls Schools in the Gaza Strip	(35 495)	11 558	(60 490)	(48 933)	84 428	—
Upgrade the Computer Laboratory at Ashrafieh Girls' school	2 102	—	(2 100)	(2 100)	(3)	—
Five Junior Professional Officer post: Procurement Officer, UNRWA Field Office, Gaza	24 783	86 654	(89 034)	(2 380)	(22 403)	—
Five Junior Professional Officer post: Logistics and System Analyst, Department of Operations and Technical Services UNRWA Headquarters Amman	35 773	29 786	(42 430)	(12 644)	(23 129)	—
Five Junior Professional Officer post: Policy Researcher Officer, Department of Relief and Social Services UNRWA Headquarters Amman	29 413	24 407	(35 343)	(10 937)	(18 476)	—
Five Junior Professional Officer post: Associate Expert (Research and Evaluation) Department of Education UNRWA Headquarters Amman	32 143	23 286	(35 879)	(12 593)	(19 550)	—
Five Junior Professional Officer post: Administration and Projects Officer UNRWA Field office Jordan	35 788	21 606	(41 509)	(19 904)	(15 885)	—

Fund/Projects	Balances as at 01.01.2004	Income and Expenditure for the Year: Income	Expenditure	Surplus/Deficit	Prior Years Adjustments	Fund Balance as at 31.12.2005
Construction of five classrooms and conversion of two old classrooms into two admin. rooms and furnishing of three classrooms at Nuseirat Prep. "A" Girls' School	61 512	—	(47 115)	(47 115)	(14 397)	—
Water supply and sanitation in support of two Palestinian refugees camps Kan Danoun Khan Eshieh	1 594 609	—	(657 921)	(657 921)	—	936 688
Palestine Refugees Records Project	518 838	1 003 213	(724 484)	278 729	—	797 567
Human Rights Training for UNRWA staff and other United Nations staff in Syria	1 102	—	(1 102)	(1 102)	—	—
Introduction of the 10th grade in UNRWA schools within Jerusalem Municipal Boundaries	86 576	155 571	(137 212)	18 359	—	104 934
Construction and equipping of six classrooms, three home economic units and one library at three schools in Gaza	235 069	136 342	(265 461)	(109 119)	(125 950)	—
Extension of South Baqa'a Medical Centre, Jordan	17 804	—	(17 802)	(17 802)	(2)	—
Provision of Medical Supplies in Jordan, Syria and Lebanon	(320 277)	354 542	(26 750)	327 792	(7 515)	—
Palestinian Refugees Registration Project	—	197 109	(370 829)	(173 720)	—	(173 720)
Conduct three training courses in Anemia in children of pregnant women	(1 792)	1 791	—	1 791	0	—
Conduct three training courses in HIV/AIDS, STD and reproductive health	(1 280)	1 280	—	1 280	(0)	—
Conduct five training courses in Health Education for Teachers	—	4 610	(4 610)	—	—	—
Conduct two training courses in Global Education for Teachers	—	1 692	(1 692)	—	—	—
Conduct six training courses in Inclusive Education for Grades 1 and 2	—	4 874	(4 874)	—	—	—
Reconstruction and equipping of Beit Hanoun elementary "C" girls and "B" co-educational schools, Gaza	(2 408)	863 522	(861 115)	2 407	(2)	0
Reconstruction of Rimal Health Centre, Gaza	(2 666)	768 642	(766 944)	1 698	—	(968)
Construction of additional classrooms at Deir Ammar Boys' school, West Bank	165 623	459 548	(433 495)	26 053	—	191 676

Fund/Projects	Balance as at 01.01.2004	Income	Expenditure	Surplus/(Deficit)	Prior Years' Adjustments	Fund Balance as at 31.12.2004
Self-help shelter rehabilitation in the West Bank	(255 194)	1 745 115	(1 574 145)	(76 970)	—	(84 224)
Equipping and furnishing of a toy library at Jabalia Women's Training Centre, Gaza	1 667	9 525	(2 541)	6 984	—	8 651
JPO, Associated Expert (External Relations and Projects)	207 254	—	(177 242)	(177 242)	(30 013)	—
JPO, Projects, West Bank Field Office	218 408	—	(117 548)	(117 548)	(40 860)	—
Computer Information Technology Initiative, Use of unexpended balances under CITI Phases I-IV	196 155	—	(153 272)	(153 272)	54	42 937
Promoting Basic Human Rights, Conflict Resolution and Tolerance in UNRWA Schools for the school year 2003/2004	196 000	—	(192 652)	(192 652)	—	3 348
Operations Support Officer Programme, West Bank	728 917	—	(650 186)	(650 186)	—	78 731
Operations Support Officer Programme, Gaza Strip	356 000	—	(292 710)	(292 710)	—	63 290
Neirab Rehabilitation Projects: Phase I	499 757	—	(481 075)	(481 075)	6	18 689
Computer Information Technology Initiative (CITI) Phase V	598 819	—	(384 868)	(384 868)	—	213 951
Reconstruction and Equipping of Beddawi Health Centre in Lebanon	57 123	91 708	(142 322)	(50 614)	(6 507)	—
Reconstruction of the Sanitation Office in Nuseirat Camp	57 000	—	(40 939)	(40 939)	(16 061)	—
Reconstruction of the Sanitation Office in Burej Camp	47 000	—	(37 109)	(37 109)	(9 891)	—
Construction of a Physiotherapy Clinic at the Burej Health Centre	49 986	—	(33 498)	(33 498)	(16 488)	—
Improve of school facilities at Mashare' Preparatory Boys and Girls School	50 372	—	(50 371)	(50 371)	(1)	—
UNESCO 2003-DE	13 572	—	(13 566)	(13 566)	(6)	—
Palestinian Refugees Registration Project (PRRF)	—	935 770	(243 451)	692 319	—	692 319
Technical Assistance and Project Management Rehabilitation Neirab Camp, Syria	27 979	8 000	(35 978)	(27 978)	1	—
Conversion of Area Office Homes into Learning Resource Centre/Computer Laboratory, Syria	12 212	—	(12 211)	(12 211)	(1)	—

Fund/Projects	Balances as at 01.01.2004	Income and Expenditure for the Year: Income	Expenditure	Surplus/Deficit	Prior Years Adjustments	Fund Balances as at 31.12.2005
Development of Sport Activities, Purchase Equipment and Improve Local Sport Infrastructure in Refugee Camps (Ramallah and Jericho)	24 200	71 788	(75 580)	(3 792)		20 408
Supporting UNRWA's Education Programs and Activities with Focus on Higher Education, Lebanon		51 647	(51 022)	625		625
Development of UNRWA's Management Health Information System, Phase II	250 945		(198 707)	(198 707)	(52 238)	
Provision of Computer and Office Equipment for UNRWA Schools in Lebanon	598 219		(591 639)	(591 639)	(6 580)	
Establish of hearing impaired unit at Hassinyeh, Syria	5 614		(5 542)	(5 542)		71
Meeting the Humanitarian Needs of the Palestinian Refugees in the Near East		433 438	(377 214)	56 224		56 224
Construction and Equipping of Fourteen Classrooms, One Computer Laboratory and One Shed at Zaitoun Preparatory Girls' and Elementary "C" Co-educational School in Gaza		356 184	(292 154)	64 030		64 030
Construction and Equipping of Three Classrooms, One Computer Laboratory and One Shed at Nuseirat Preparatory "C" and Elementary Boys' School in Gaza		144 402	(124 772)	19 630		19 630
Introduction of Associate Nursing Course (Jordan Field)		233 808	(112 997)	120 811		120 811
Japan Scholarship Programme		402 473	(152 302)	250 171		250 171
Purchase of Computers for the Introduction of Computer Technology Training in UNRWA Schools, Syria			(41 182)	(41 182)	41 182	
JPO Position in UNRWA's Policy Analysis Unit, HQO		126 396	(119 992)	6 404	(6 404)	0
JPO Position in Lebanon Projects Office		129 482	(111 932)	17 550		17 550
Improved Access to Education for Disabled Refugee Children in Camps in Lebanon		76 094	(44 238)	31 856		31 856
Provision of a New X-Ray Unit for the New Ein El Hilweh Health Centre (2)		99 502	(99 501)	1	(1)	(0)
Procurement of Medical equipment for the Italian Hospital in Damascus		1 061 008	(1 002 284)	58 724		58 724

Fund Projects	Balance as at 31.12.2004	Income and Expenditure for the Year: Income	Expenditure	Surplus/Deficit	Prior Years' Adjustments	Fund Balance as at 31.12.2005
Assistance of UNRWA's Activities in the Health Sector	—	265 252	(122 429)	142 823	—	142 823
Additional Works for Central Public Health Laboratory in Ramallah, WB	—	—	(90 530)	(90 530)	116 504	25 974
Palestine Refugees Registration Project (PRRP)	—	826 446	(57 213)	769 233	—	769 233
Nursing Courses for Palestine Refugees in Lebanon	—	28 302	(28 058)	243	(243)	0
Rehabilitation of Neirab Camp and Development of Ein El Tel Camp Programme, Syria	—	3 213 783	(833 646)	2 380 137	—	2 380 137
Implementation of a comprehensive Solid Waste management in Nahr El Bared and Baddawi Camps. Improvement of the Drainage System and provision of a Water Reservoir to nine Schools in Nahr Bared Camp — Lebanon	—	1 557 694	(1 632 977)	(75 284)	—	(75 284)
UNESCO — 2004 ED	—	35 000	(34 859)	141	—	141
Junior Officer Position in WB, Field Officer/ Reporting Officer	—	137 656	(146 750)	(9 094)	—	(9 094)
Junior Officer Position in Syria, Field Officer/ Projects Officer	—	179 051	(119 196)	59 855	10 634	70 489
Palestine Refugee Records Project (PRRP)	—	520 676	(114 988)	405 688	—	405 688
Junior Officer Position in Gaza, Procurement Officer	—	257 354	(182 653)	74 702	25 457	100 159
Junior Officer Position in HQ Amman, Research and Evaluation Officer, Department of Education	—	109 642	(117 145)	(7 503)	19 550	12 047
Friends of UNRWA Association	—	307 358	(212 987)	94 371	—	94 371
Junior Officer Position in HQ Amman, Logistics of Operations Technical Services, DOTS	—	128 250	(118 442)	9 807	23 129	32 937
Junior Officer Position in HQ Amman, Policy Research Officer at RSSD	—	88 804	(69 017)	19 787	18 476	38 263
Junior Officer Position in Jordan, Administration and Projects Officer	—	131 662	(94 604)	37 058	15 885	52 943
Set up two libraries at women programme centre in Khan Younis and community rehabilitation centre in beach camp	—	25 444	(19 255)	6 189	(6 189)	—
Citizens of the World Theatre Education Project	—	38 389	(38 909)	(520)	520	0
Training Course "Participatory Rapid Appraisal"	—	1 495	(1 494)	1	(1)	(0)

Fund/Projects	Balance as at 01.01.2004	Income and Expenditure for the Year			Prior Years' Adjustments	Fund Balance as at 31.12.2005
		Income	Expenditure	Surplus/Deficit		
Two Workshops "Promoting Children and Women's Rights"	—	4 436	(4 436)	—	—	—
Workshop "Better Parenting"	—	2 494	(2 599)	(105)	105	(0)
Training Course "Training for Kindergarten Teachers"	—	1 087	(1 087)	0	(0)	(0)
Workshop "Development of Local Communities"	—	1 494	(1 494)	(0)	0	0
Ten Workshops "Child Friendly School"	—	6 730	(6 730)	(0)	0	(0)
Five Workshops "Prevention of AIDS"	—	4 724	(4 728)	(4)	4	0
Distribution of SHC Rations and Cash Assistance for the six months to the 435 Palestinians out of Iraq	—	19 955	(19 955)	0	(0)	0
Construction and Equipping of a Science Laboratory at Majdal School, Beddawi and Provision of French Teaching Tools for 32 Schools and the Siblin Training Centre (STC)	—	—	(2 655)	(2 655)	40 819	38 164
Nimreen Children's Music Studio Project, SAR	—	14 000	(13 999)	1	(1)	(0)
Support of ERD Fund Raising in the Gulf	—	—	(25 383)	(25 383)	—	(25 383)
Computer Bus Project	—	73 841	(25 643)	48 197	—	48 197
Nimreen Children's Music Studio Project, SAR	—	13 511	(9 804)	3 707	—	3 707
Skill Training in Nine Women Programme Centres in Lebanon	—	32 061	(31 989)	72	(72)	(0)
Project Management Assistance and Support for Sustainable Livelihoods Components of the Nahr el-Bared Rehabilitation Project (Phase I)	—	539 975	(186 506)	353 469	—	353 469
Junior Officer Position in West Bank "Research Officer"	—	65 224	(102 616)	(37 392)	—	(37 392)
New school building in Kan Dannoun Construction of school complex in Homs/Syria	—	505 531	—	505 531	—	505 531
Integrated Early Childhood/Better Parenting Project	—	6 151	(6 150)	2	(2)	(0)
UNRWA Special Education Centre for Slow Learners	—	36 895	(36 893)	2	(2)	0
Operations Support Officer Programme/West Bank	—	1 817 756	(1 356 174)	461 582	—	461 582
Operations Support Officer Programme/Gaza Strip	—	726 445	(641 159)	85 286	—	85 286
Construction of a new building for Amir Hasan Quarter Health Centre/Jordan	—	250 270	(72 908)	177 362	—	177 362

Fund/Project(s)	Balance as at 01.01.2004	Income and Expenditure for the Year: Income	Expenditure	Surplus/Deficit	Prior Years Adjustments	Fund Balance as at 31.12.2005
Reconstruction of the Qabr Essit Health Centre in Syria	—	316 000	(163 247)	152 753	—	152 753
Shelter Rehabilitation in Tyre Area/Lebanon	—	192 300	(185 066)	7 234	—	7 234
Promoting Tolerance, Conflict Resolution and Basic Human Rights in UNRWA Schools	—	125 430	(97 729)	27 701	—	27 701
Slow Learners Programme	—	26 420	(24 779)	1 641	—	1 641
Conversion of Multi-Purpose Room at Sarafand/Karmel School into a Standard Computer Laboratory, Syria	—	20 000	(16 166)	3 834	(0)	3 834
Extension of Ms. Naomi And's contract with UNRWA	—	67 381	(80 901)	(13 520)	13 520	0
Japanese Scholarship Grant Programme to Palestinian Women for Higher Academic Studies in Lebanon	—	99 988	(25 016)	74 972	—	74 972
Construction and Furnishing of 24 Classrooms in Lebanon	—	397 161	(194 118)	203 043	—	203 043
Construction of Standard Computer Laboratories and Multi-Purpose rooms at six UNRWA's School Building and Renovation of learning resource centre at Yarmouk in Syria	—	500 000	(55 468)	444 532	—	444 532
Equipping 10 health centres with TV Sets, DVD Players and health Educational DVD Discs, Lebanon	—	—	(5 540)	(5 540)	6 508	968
Construction of a main gravity line connecting the western area of Nuseirat with the pumping station	—	—	—	—	96 131	96 131
Computers to Jabalia preparatory school	—	6 081	(5 049)	1 031	—	1 031
Children's recreational and cultural support programme, Gaza Strip	—	—	(84 157)	(84 157)	104 305	20 148
Construction of additional four classrooms at Fawwar Girls' School	—	40 000	(40 000)	—	—	—
Senior Programme Coordinator Officer	—	—	(73 589)	(73 589)	—	(73 589)
Niffield Project (civic structure for Palestinian Refugee camps and exile communities)	—	160 377	(160 376)	1	(1)	0
Procurement Training	—	—	(19 500)	(19 500)	—	(19 500)
Distribution of SHC Rations and Cash Assistance in 2005 to the 392 Palestinians out of Iraq	—	34 651	(34 652)	(1)	1	0

Fund/Projects	*Balance as at 01.01.2004*	*Income and Expenditure for the Year*			*Prior Years' Adjustments*	*Fund Balance as at 31.12.2005*
		Income	*Expenditure*	*Surplus/Deficit*		
UNESCO — 2005 Education (Extra-curricular Activities Support for Schools and other activities	—	35 000	(33 093)	1 907	—	1 907
Baqa'a Elementary Boys School No. 1	—	10 000	(8 872)	1 128	—	1 128
JPO Position in Lebanon Projects Office	—	95 709	(62 662)	33 047	—	33 047
Construction and furnishing of one home economics unit, one computer laboratory, four classrooms and two small teachers' room at Deir Al-Balah Preparatory Girls' School	—	—	(74 745)	(74 745)	151 509	76 763
Conducting six training workshops on Child Rights for head Teachers and Teachers of 2nd cycle basic education	—	3 490	(3 490)	—	—	—
Conduct two workshops on Breastfeeding	—	4 500	(4 500)	—	—	—
Conduct two workshops on Healthy Lifestyle	—	732	(732)	0	(0)	(0)
Nursing Courses for Palestine Refugees in Lebanon	—	28 037	(28 037)	0	243	244
Extend Mr. Jens Ole Bak Hansen's contract for second year as Junior Professional Officer in the Policy Analysis Unit/HQ, Gaza	—	142 566	(114 065)	28 501	6 404	34 906
Shelter Rehabilitation in Refugee Camps in Syria, Lebanon and Jordan	—	2 846 054	(2 128 887)	717 167	—	717 167
Two UNRWA schools of Khan Younis and Ramallah in Lebanon	—	9 949	(3 523)	6 426	—	6 426
Reconstruct and furnish Nuseirat Health Centre in the Gaza Strip	—	451 694		451 694	—	451 694
Conducting intensive educational courses for poor and orphan pupils in the preparatory and secondary certificate	—	2 000	(2 000)	—	—	—
Savings and interest from completed Japanese-funded projects	—	—	—	—	326 852	326 852
Savings and interest from completed funded projects	—	—	—	—	7 387	7 387
Savings and interest from completed funded projects	—	—	—	—	106 309	106 309
Savings and interest from completed funded projects	—	—	—	—	21 794	21 794
Savings and interest from completed funded projects	—	—	—	—	38 043	38 043
Savings and interest from completed funded projects	—	—	—	—	49 118	49 118
Savings and interest from completed funded projects	—	—	—	—	16 200	16 200

Fund/Projects	Balance as at 01.01.2004	Income and Expenditure for the Year: Income	Expenditure	Surplus/Deficit	Prior Years' Adjustments	Fund Balance as at 31.12.2005
Savings and interest from completed funded projects	—	—	—	—	108 030	108 030
Purchase equipment for the blind for RCVI, Gaza	—	16 275	(11 773)	4 502	—	4 502
Savings and interest from completed funded projects	—	—	—	—	460 161	460 161
Early detection and management of physical disabilities and combat micronutrient deficiencies among children, Lebanon	—	482 509	(179 068)	303 441	—	303 441
Savings and interest from completed funded projects (USAID)	—	—	—	—	384 090	384 090
IUED/Louvain data collection survey — Phase I	—	308 895	(308 895)	(1)	1	0
French School Supervisor	—	7 233	(760)	6 473	—	6 473
Development of UNRWA's Management Health Information System, Phase III	—	—	(40 625)	(40 625)	52 237	11 612
Savings and interest from completed funded projects	—	—	—	—	48 552	48 552
Savings and interest from completed funded projects	—	—	—	—	3 510	3510
Operations Support Officer Programme, Gaza Strip	—	730 528	(249 546)	480 982	—	480 982
Operations Support Officer Programme, West Bank	—	1 970 730	(613 898)	1 356 832	—	1 356 832
Sustaining further development of conflict resolution, tolerance and basic human rights	—	589 000		589 000	—	589 000
Construction of water supply, sewerage and storm water drainage systems in El-Buss Camp Lebanon	—	1 192 140	—	1 192 140	—	1 192 140
Phase I of the data collection, analysis and information management project by IUED	—	480 944	(480 944)	(0)	0	(0)
Reconstruction of Beer Shiba Elementary Boys/Den Ammar Elementary Girls School and Beer Shiba Preparatory Boys in Khan Eshieh Camp (four schools, two buildings), Syria	—	1 056 000	—	1 056 080	—	1 056 080
Replacement of Jalazone Health Centre, West Bank	—	387 112	—	387 112	—	387 112
Social Workers Training and Certification in Social Devices	—	164 502	—	164 502	—	164 502
Five Computer Laboratories in Jordan	—	429 044	—	429 044	—	429 044
JPO, ERPO at external Relations Department, HQ(G) — Ms. Berangere Boell	—	88 537	(56 045)	32 492	40 714	73 206
JPO, Associate Office, West Bank Field Office — Mr. Marion Taupiac	—	100 556	(54 923)	45 633	30 159	75 792

Fund/Projects	*Balance as at 01.01.2004*	*Income and Expenditure for the Year*			*Prior Years' Adjustments*	*Fund Balance as at 31.12.2005*
		Income	*Expenditure*	*Surplus/Deficit*		
Japanese JPO Fund	—	—	—	—	526	526
EU University Scholarships Fund for Palestine Refugees in Lebanon	—	1 049 548	(133 342)	916 206	—	916 206
Savings and interest from completed funded projects	—	—	—	—	4 336	4 336
Learning Support Programme, Jordan	—	8 173	—	8 173	—	8 173
Reconstruction of Dera'a Health Centre, Syria	—	217 647	—	217 647	—	217 647
Development of English Language Skills of H/Teachers and School Supervisors and Upper Elementary Teachers in SAR	—	33 783	(33 783)	—	—	—
Computer Bus Project	—	197 390	(197 390)	—	—	—
Miscellaneous post-1999 projects	3 084	1 840	(2 476)	(636)	(1 870)	577
Liquidation of HCs and Accrual Income	(952 282)	11 135 675	(5 084 133)	6 051 542	2 048 622	7 147 882
Post-1999 Projects Total	**13 880 126**	**52 520 595**	**(41 821 091)**	**10 699 504**	**3 329 354**	**27 908 984**
Other Projects:						
Environmental Sanitation Projects agency wide	179 848	—	—	—	(179 848)	—
Dheisheh Community Centre	3 052	—	—	—	(3 052)	—
Scholarships	1 630	—	—	—	—	1 630
Hama Camp Community Rehabilitation Programme	861	—	(861)	(861)	0	—
Running costs of the existing four kindergartens in Lebanon	2 175	—	—	—	(2 175)	—
Urgent projects	26 669	—	—	—	(26 669)	—
1st Year, Junior Professional Officer, Philippe Grandit, Ext. Relations and Projects Officer	4 705	—	(4 273)	(4 273)	—	432
Assistant to Field Administration Officer, PI	7 689	—	—	—	(7 689)	—
Provision of Contraceptive Supplies, Agency Wide	2 284	—	—	—	(2 284)	—
Junior Professional Officer	18 308	—	—	—	(18 308)	—
Junior Professional Officers	1 346	—	—	—	(1 346)	—
Expanded Maternal Health Programme in Gaza	62 465	—	—	—	(62 465)	—
Construction and Connection of Sewerage Systems	280 313	—	—	—	(280 313)	—
Running Costs of Electric Generator	4 896	—	(3 756)	(3 756)	—	1 140

Fund/Projects	Balance as at 01.01.2004	Income and Expenditure for the Year: Income	Expenditure	Surplus/Deficit	Prior Years' Adjustment	Fund Balance as at 31.12.2005
Developing and Commissioning of a School of Nursing B	39 687	—	—	—	—	39 687
Income-Generating Projects in Jordan, West Bank and Gaza	5 046	—	—	—	—	5 046
WPC-Health and Education West Bank	17 069	—	—	—	—	17 069
Six Ambulances, Equipment and Training — Gaza	165 790	—	—	—	(165 790)	—
Relief, Medical and Training — Gaza and West Bank	9 703	—	—	—	(9 703)	—
Salary RHO — WB	994	—	—	—	(994)	—
Cost of Vehicles	2 853	—	—	—	(2 853)	—
Training of Medical Staff	5 857	—	—	—	(5 857)	—
Dental Unit for Raffah Health Centre	15 193	—	—	—	(15 193)	—
Upgrading of East Jerusalem Health Centre	2 556	—	—	—	(2 556)	—
Procurement of urgently needed equipment for three courses at KTC	21 231	—	—	—	(21 231)	—
AIDS (IEC) Training Courses	2 404	—	—	—	(2 404)	—
Al Ahli Hospital, Gaza	5 532	—	—	—	(5 532)	—
Construction and Furnishing of Rashidieh Secondary School Al-Aqsa School	1 133	—	(297)	(297)	(836)	—
Running costs of new computer courses at Siblin Training Centre	19 391	—	—	—	(19 391)	—
Construction and Equipping of six classrooms at Sammou School in Ein-El-Hilweh Camp, Lebanon	85 788	—	(79 934)	(79 934)	(5 854)	—
Furnishing the Computer Laboratory at Beit Jala School	—	—	(13 217)	(13 217)	13 217	—
Mechanization of Solid waste Collection and Disposal Systems	990	—	—	—	(990)	—
UNRWA headquarters relocation to Gaza and Amman	(5 091 973)	—	—	—	5 091 973	—
Radiological Unit and Ultrasound Equipment to Khan Younis Health Centre	15 420	—	—	—	(15 420)	—

Fund/Projects	*Balance as at 01.01.2004*	*Income and Expenditure for the Year*			*Prior Years' Adjustments*	*Fund Balance as at 31.12.2005*
		Income	*Expenditure*	*Surplus/Deficit*		
Health Education Programme for prevention of HIV/AIDS — UNAIDS	4 772	—	—	—	(4 772)	—
Expansion of Qalqilia Hospital in the West Bank	207 544	300 891	(224 076)	76 815	—	284 359
Provision of Textbooks/Library Books for Schoolchildren in West Bank	2 071	—	—	—	(2 071)	—
Improvement of Computer Skills, Vocational Training Centre — Phase I	1 538	—	(1 514)	(1 514)	—	24
Improvement of Computer Skills, Vocational Training Centre — Phase II	43 625	—	(25 392)	(25 392)	—	18 233
Upgrading of a Carpentry and Furniture Making Course Workshop at Damascus Training Centre	13 529	—	—	—	(13 529)	—
Reconstruction of Hama WPC and CRC — SAR	(40 876)	—	—	—	—	(40 876)
Khan Dannoun and Khan Eshieh Water Network	11 369	—	(6 988)	(6 988)	113	4 493
Upgrading and Development of the Industrial Electronics courses: Gaza Training Centre	26 000	1 682	(20 629)	(18 947)	—	7 053
Peace and Tolerance Education	49 900	—	(48 486)	(48 486)	(1 414)	—
Peer Mediation	13 186	—	(13 106)	(13 106)	(80)	—
Construction and Equipping of Muzeiteeb Health Centre	34 100	—	—	—	(34 100)	—
Shelter Rehabilitation on self-help basis in Damascus South and Central areas	4 450	—	—	—	(4 450)	—
Nuseirat — Construction and Equipping of Preparatory Girls School B	2 839	—	—	—	(2 839)	—
Beit Hanoun — Construction and Equipping of Elementary A and C Co-education School C	2 357	—	—	—	(2 357)	—
Dheish camp Elementary/Preparatory Girls School	1 326	—	—	—	(1 326)	—
Construction, Equipment, Staff Costs, Scholastic Supplies for Secondary School in Saida Bissan	6 427	—	—	—	(6 427)	—
Hiring Additional teachers in Gaza and West Bank	766	—	—	—	(766)	—
Construction of Khaireyeh/Majd-El-Kroum Preparatory school	2 633	—	—	—	(2 633)	—
Upgrading of the Central Library in Neirab Camp in Aleppo, Syria	3 004	—	—	—	—	3 004

Fund/Projects	Balance as at 01.01.2004	Income and Expenditure for the Year: Income	Expenditure	Surplus/Deficit	Prior Years' Adjustments	Fund Balance as at 31.12.2005
Construction and Equipping of Science Laboratory at Rafah Preparatory B Boys School	2 935	—	—	—	—	2 935
Construction of 8 Classrooms and 2 Administration Rooms at Nasser A and B Basic Boys School	2 756	—	—	—	(2 756)	—
Yarmouk — Expansion of Mother and Child Centre into a Full Health Centre	4 077	—	—	—	(4 077)	—
Provision of Medical Supplies	18 125	—	—	—	(18 125)	—
Beach — Coastal Defence Project A/B/C — Gaza	347 994	—	(276 835)	(276 835)	(71 159)	—
Construction and Equipping of Rafah Women's Programme Centre — Gaza	1 892	—	—	—	(1 892)	—
Construction and Equipping of Beit Lahiya Elementary Co-education School	11 789	—	—	—	(11 789)	—
Shelter Rehabilitation A	5 714	—	—	—	(5 714)	—
Construction and Equipping of Askar Elementary/Preparatory Boys School	(40 566)	—	—	—	40 566	—
Construction and Equipping of Shu'fat Elementary Girls School	(32 585)	—	—	—	32 585	—
Procurement of urgently needed Equipment for three courses at Kalandia Training Centre — West Bank	840	—	—	—	(840)	—
Ramallah — Public Health Laboratpry — West Bank	120 480	—	—	—	(120 480)	—
Jordan Field Projects	11 252	—	—	—	(11 252)	—
Establishment of Nursery and Kindergarten at Baqa'a camp — Jordan	580	—	(565)	(565)	—	15
Services Rendered to the Palestinian Authority	13 187	—	—	—	(13 187)	—
Construction of two shading sheds at Nuseirat Elementary B and D Co-education and Tal Al-Sultan Elementary Co-education and Raffah Elementary	2 628	—	—	—	—	2 628
Repatriation of Palestinians from Sinai to Tel El-Sultan in the Gaza Strip	3 407	—	—	—	(3 407)	—
Upgrading of Nine Schools — West Bank	1 075	—	(1 075)	(1 075)	(0)	—
Yarmouk — Construction of Palestine Health Center	15 343	—	—	—	(15 343)	—
Shelter Rehabilitation — Gaza	3 334	—	—	—	(3 334)	—

Fund/Projects	Balance as at 01.01.2004	Income and Expenditure for the Year: Income	Expenditure	Surplus/Deficit	Prior Years Adjustments	Fund Balance as at 31.12.2005
Graduate Training Programme — Gaza	3 510	—	—	—	(3 510)	—
Expansion of UNRWA's Family Health Programme	4 554	—	—	—	(113)	4 441
Equipping and Furnishing of Wadi Seer Training Centre — Jordan	1 692	—	—	—	(1 692)	—
Siblin training centre — completion of two attic roofs; conversion of dormitories into specialized rooms	1 376	—	—	—	(1 376)	—
Short-term building courses — Siblin training centre	1 089	—	—	—	(1 089)	—
Construction of Sewer and Water Networks in Eight Palestinian Refugee Camps	3 924 153	756 356	(9 534 012)	(8 777 656)	(74 417)	(4 927 920)
Equipment and Miscellaneous Supplies for Mechanical/Metal and Computer Courses	1 261	—	—	—	(1 261)	—
Construction and Equipping of 12 classrooms at Nuseirat Preparatory A Girls School	57 833	—	—	—	(57 833)	—
Construction and Equipping of 7 classrooms and two handicrafts Units at Jabalia Preparatory C Boys School	78 700	—	—	—	(78 700)	—
Replacement of Dilapidated Blocks at Arroub Boys School	255 826	—	(131 921)	(131 921)	—	123 906
Construction, Furnishing and Equipping Two Specialized Rooms at Dier Ammar Girls School	(2 118)	2 116	—	2 116	2	—
Equipping the Computer Workshop at Beit Ula Girls School	2 021	—	3	3	—	2 024
Equipping the Computer Workshop at Beit Ula Girls School	3 374	—	37	37	—	3 411
Construction and Furnishing of 15 Classrooms at Bani Suhaila Preparatory and Elementary Boy's School, Gaza	21 339	4 221	—	4 221	(25 559)	—
Gaza Field Projects	76 632	—	—	—	(76 632)	—
Construction and Equipping of Additional classrooms/canteens at Preparatory Schools in Gaza	—	—	—	—	136 534	136 534
Miscellaneous Emergency Projects	4 812	—	(569)	(569)	(3 820)	422
Liquidation of HCs and Accrual Income	—	—	(161 924)	(161 924)	—	(161 924)
Other Projects Total	**1 241 779**	**1 065 265**	**(10 549 391)**	**(9 484 126)**	**3 770 114**	**(4 472 233)**

Fund/Projects	Balance as at 01.01.2004	Income and Expenditure for the Year: Income	Expenditure	Surplus/(Deficit)	Prior Years' Adjustments	Fund Balance as at 31.12.2005
Microcredit Community Support Programme:						
Microcredit Community Support Programme, Agency Wide — Running Costs	297 268	265 261	(185 556)	79 704	2 944	379 917
Microcredit Community Support Programme, West Bank (Prefix K1)	26 920	833	—	833	—	27 753
Microcredit Community Support Programme related to Self-Supporting Projects Grants Funded from GF	2 966	978	—	978	—	3 944
RSSD Microcredit Community Support Programme	67 162	25 599	(10 639)	14 961	17 048	99 170
Microcredit Community Support Programme, Total	**394 316**	**292 671**	**(196 195)**	**96 476**	**19 992**	**510 784**
Disengagement Projects in Gaza:						
Rehabilitation of Palestine Refugees' Shelters in the Gaza Strip	—	5 500 000	—	5 500 000	—	5 500 000
Constructing and equipping the VTC in Southern Gaza Strip	—	1 000 000	—	1 000 000	—	1 000 000
"Re-structuring of Khan Younis Refugee Camp" "Construction of 231 Dwelling Units"	—	3 616 744	—	3 616 744	—	3 616 744
Graduate Training Programme in Gaza	—	1 164 603	—	1 164 603	—	1 164 603
Khan Younis Camp Sewerage Works	—	—	—	—	113 814	113 814
Liquidation of HCs and Accrual Income	—	2 989 278	—	2 989 278	—	2 989 278
Disengagement Projects in Gaza Total	**—**	**14 270 625**	**—**	**14 270 625**	**113 814**	**14 384 439**
Total Non-regular Budget Funds	**73 199 156**	**298 551 659**	**(271 495 794)**	**27 055 865**	**9 177 147**	**109 432 168**
Microfinance and Microenterprise Programme	**(2 804 180)**	**5 319 934**	**(6 562 657)**	**(1 242 743)**	**(75 679)**	**(4 122 602)**
Total All Funds	**107 187 387**	**1 024 745 385**	**(987 495 326)**	**37 250 059**	**19 936 439**	**164 373 886**

United Nations Relief and Works Agency for Palestine Refugees in the Near East

Appendix 4

Donor contributions and outstanding confirmed pledges for the biennium 2004-2005

(In United States dollars)

A. Income by donor

		Regular budget funds			*Non-regular budget funds*			
Biennium 2002-2003	*Donor*	*Cash*	*In kind*	*Total*	*Emergency appeal*	*Projects*	*Total*	*Grand total*
	Governments							
253 687 929	United States of America	163 968 111	—	163 968 111	60 000 000	11 448 201	71 448 201	235 416 312
44 802 826	Sweden	59 833 800	—	59 833 800	11 007 810	—	11 007 810	70 841 610
63 784 788	United Kingdom	41 020 679	16 154	41 036 832	27 596 544	1 978 073	29 574 617	70 611 450
32 299 267	Norway	41 155 146	—	41 184 146	8 600 515	1 164 603	9 765 119	50 949 264
26 384 100	Japan	7 659 357	9 562 624	17 221 981	16 524 204	8 785 159	25 309 363	42 531 344
20 535 307	Netherlands	28 781 684	—	28 781 684	5 159 179	6 731 674	11 890 853	40 672 537
15 027 883	Canada	15 898 015	—	15 898 015	2 794 599	7 369 965	10 164 564	26 062 579
17 588 865	Saudi Arabia	1 800 000	—	1 800 000	20 000 000	3 449 344	23 449 344	25 249 344
15 879 932	Denmark	18 542 347	—	18 542 347	3 128 738	494 153	3 622 891	22 165 238
13 600 000	Switzerland	13 080 769	—	13 080 769	6 285 014	1 922 225	8 207 239	21 288 008
20 655 851	Germany	13 162 182	3 792	13 165 974	5 018 264	2 094 762	7 113 026	20 279 000
19 588 132	Italy	10 503 332	—	10 503 332	1 326 260	2 809 078	4 135 338	14 638 670
7 206 794	France	10 325 922	3 025 670	13 351 591	780 113	506 639	1 286 752	14 638 344
5 444 620	Australia	9 431 101	—	9 431 101	3 399 000	—	3 399 000	12 830 101
6 494 651	Spain	7 543 997	—	7 543 997	4 188 966	300 891	4 489 856	12 033 853
7 277 492	Belgium	1 854 966	1 590 326	3 445 292	6 744 888	—	6 744 888	10 190 181
6 277 013	Finland	6 343 606	—	6 343 606	2 770 360	—	2 770 360	9 113 966
5 994 467	Ireland	4 294 750	—	4 294 750	663 130	—	663 130	4 957 880
4 361 860	Luxembourg	4 150 444	—	4 150 444	243 605	316 133	559 738	4 710 182
1 579 421	Austria	1 495 000	—	1 495 000	2 867 912	282 736	3 150 648	4 645 648
3 825 739	Palestine	—	3 775 111	3 775 111	—	40 000	40 000	3 815 111
7 999 946	Kuwait	2 999 944	—	2 999 944	—	—	—	2 999 944
2 776 199	United Arab Emirates	1 000 000	—	1 000 000	—	458 694	458 694	1 458 694
649 396	Jordan	14 124	1 404 127	1 418 251	—	—	—	1 418 251
200 000	Korea, Republic of	400 000	407 434	807 434	—	364 390	364 390	1 171 823
690 237	New Zealand	425 040	—	425 040	509 520	—	509 520	934 560
800 000	Greece	800 000	—	800 000	—	—	—	800 000
—	Emirates of Sharjah	—	—	—	—	477 076	477 076	477 076
—	Government of Spain (Catalonia)	—	—	—	—	451 694	451 694	451 694
599 950	Turkey	400 000	—	400 000	—	—	—	400 000
147 000	South Africa	322 391	—	322 391	—	—	—	322 391
61 634	Syria	—	275 075	275 075	—	—	—	275 075
—	Government of Belgium (Flanders)	—	—	—	254 437	—	254 437	254 437
225 000	Portugal	200 000	—	200 000	—	—	—	200 000
119 985	China	159 985	—	159 985	—	—	—	159 985

Biennium 2002-2003	Donor	Regular budget funds			Non-regular budget funds			Grand total
		Cash	In kind	Total	Emergency appeal	Projects	Total	
101 450	Czech Republic	101 931	—	101 931	—	—	—	101 931
105 000	Iceland	98 463	—	98 463	—	—	—	98 463
70 000	Qatar	70 000	—	70 000	—	—	—	70 000
61 060	Cyprus	62 250	—	62 250	—	—	—	62 250
30 000	Thailand	60 000	—	60 000	—	—	—	60 000
60 000	Bahrain	60 000	—	60 000	—	—	—	60 000
50 000	Malaysia	50 000	—	50 000	—	—	—	50 000
73 000	Holy See	40 000	—	40 000	—	—	—	40 000
40 000	Poland	40 000	—	40 000	—	—	—	40 000
10 133	India	31 052	—	31 052	—	—	—	31 052
25 000	Oman	30 000	—	30 000	—	—	—	30 000
—	Malta	24 000	—	24 000	—	—	—	24 000
—	Liechtenstein	24 000	—	24 000	—	—	—	24 000
—	Algeria	20 000	—	20 000	—	—	—	20 000
20 810	Tunisia	19 865	—	19 865	—	—	—	19 865
2 913	Mexico	18 000	—	18 000	—	—	—	18 000
5 000	Chile	15 000	—	15 000	—	—	—	15 000
20 000	Egypt	10 000	—	10 000	—	—	—	10 000
10 000	Indonesia	10 000	—	10 000	—	—	—	10 000
—	Monaco	10 000	—	10 000	—	—	—	10 000
—	Colombia	8 495	—	8 495	—	—	—	8 495
22 840	Lebanon	—	7 150	7 150	—	—	—	7 150
—	Namibia	3 000	—	3 000	—	—	—	3 000
2 000	Maldives	1 000	—	1 000	—	—	—	1 000
45 923	Morocco	—	—	—	—	—	—	—
20 000	Brunei Darussalam	—	—	—	—	—	—	—
602 341 413	**Total Governments**	**468 402 746**	**20 067 463**	**488 470 209**	**189 863 058**	**51 445 490**	**241 308 549**	**729 778 758**
	Intergovernmental organizations							
163 295 964	European Commission	194 990 6	9 673 881	204 664 499	24 149 794	15 673 805	39 823 599	244 488 098
419 000	Arab Gulf Programme for United Nations Development Organizations (AGFUND)	—	—	—	189 349	114 590	303 939	303 939
70 000	OPEC	—	—	—	69 640	—	69 640	69 640
76 000	Islamic Development Bank	—	—	—	19 920	—	19 920	19 920
163 860 964	**Total IGOs**	**194 990 618**	**9 673 881**	**204 664 499**	**24 428 703**	**15 788 395**	**40 217 098**	**244 881 597**
	United Nations organizations							
29 386 657	United Nations	34 858 400	—	34 858 400	—	—	—	34 858 400
1 290 56	WHO	200 000	914 100	1 114 100	—	—	—	1 114 100
693 520	UNESCO	200 000	774 784	974 784	—	70 000	70 000	1 044 784
280 389	UNICEF	—	183 038	183 038	23 620	75 623	99 243	282 282
—	UNIFIL	—	237 995	237 995	—	—	—	237 995
—	UNHCR	—	—	—	—	54 606	54 606	54 606

		Regular budget funds			Non-regular budget funds			
Biennium 2002-2003	*Donor*	*Cash*	*In kind*	*Total*	*Emergency appeal*	*Projects*	*Total*	*Grand total*
145 926	UNFPA	—	30 474	30 474	—	—	—	30 474
5 998	UNSCOM	—	11 477	11 477	—	—	—	11 477
156 245	United Nations Women's Guild	—	—	—	—	8 173	8 173	8 173
—	UNTSO	—	1 500	1 500	—	—	—	1 500
—	UNDOF	—	998	998	—	—	—	998
60 000	ILO	—	—	—	—	—	—	—
410 622	UNDP	—	—	—	—	—	—	—
32 429 947	**Total United Nations organizations**	**35 258 400**	**2 154 366**	**37 412 766**	**23 620**	**208 402**	**232 022**	**37 644 788**
	Non-governmental organizations							
11 844 031	Red Crescent Society, UAE	—	64 840	64 840	11 851 565	—	11 851 565	11 916 405
—	The Church of Jesus Christ	—	—	—	1 639 669	—	1 639 669	1 639 669
1 164 000	Saudi Committee	—	—	—	1 019 080	—	1 019 080	1 019 080
—	Americares — USA	—	757 794	757 794	—	—	—	757 794
362 900	Rissho Kosei-Kai, Japan (RKK)	2 177	398 924	401 101	—	56 339	56 339	457 440
1 058 306	Egyptian Red Crescent	—	—	—	372 117	—	372 117	372 117
15 000	Children International	—	—	—	319 321	—	319 321	319 321
—	Norwegian Refugee Council	—	—	—	290 812	—	290 812	290 812
142 708	Response International	—	23 293	23 293	—	91 708	91 708	115 001
1 538 276	Syrian Arab Popular Committee	—	—	—	111 685	—	111 685	111 685
—	British Council	—	89 760	89 760	—	10 803	10 803	100 563
—	Welfare Association	—	—	—	—	77 776	77 776	77 776
—	Lavelle Fund for the Blind, USA	—	—	—	—	65 100	65 100	65 100
8 150	Kind Hearts Association	—	54 091	54 091	—	—	—	54 091
—	Japan International Cooperation (JICA)	—	32 686	32 686	—	—	—	32 686
—	Music in Me	—	—	—	—	26 400	26 400	26 400
—	Campaign of Children of Palestine, Japan	—	—	—	—	25 444	25 444	25 444
—	Rotary International Club, Netherlands	—	—	—	—	14 000	14 000	14 000
27 600	Palestine Right to Return Coalition	—	—	—	7 000	—	7 000	7 000
10 395	International Committee of the Red Cross	—	3 350	3 350	—	—	—	3 350
—	Islamic Heritage Society	—	—	—	3 000	—	3 000	3 000
3 600	American Friends Services Committee, USA	—	2 500	2 500	—	—	—	2 500
5 433	Japan Women's Association (Middle East and Africa)	1 869	—	1 869	—	—	—	1 869
—	Anglican Diocese of Ottawa, Canada	—	788	788	—	—	—	778

Biennium 2002-2003	Donor	Regular budget funds: Cash	Regular budget funds: In kind	Regular budget funds: Total	Non-regular budget funds: Emergency appeal	Non-regular budget funds: Projects	Non-regular budget funds: Total	Grand total
167 000	Right to Play, Canada	—	—	—	—	776	776	776
2 619 183	United Arab Emirates RCA	—	—	—	—	—	—	—
617 082	Lutheran World Relief, USA	—	—	—	—	—	—	—
350 920	Direct Relief International	—	—	—	—	—	—	—
99 982	United Arab Emirates Friends Society	—	—	—	—	—	—	—
60 000	The Islamic American Relief Agency	—	—	—	—	—	—	—
48 513	Nour International Relief Aid	—	—	—	—	—	—	—
36 275	CARE International	—	—	—	—	—	—	—
29 548	Deutsche Stiftung	—	—	—	—	—	—	—
14 068	Focus International	—	—	—	—	—	—	—
13 750	CISCO Press	—	—	—	—	—	—	—
10 000	Islamic Cultural Center, Kuwait	—	—	—	—	—	—	—
9 235	Society of Friends of RCVI, Gaza	—	—	—	—	—	—	—
6 000	Hope Haven International	—	—	—	—	—	—	—
5 752	ANERA	—	—	—	—	—	—	—
5 650	Hashemite Fund	—	—	—	—	—	—	—
2 200	French Cultural Centre	—	—	—	—	—	—	—
1 667	SAGAMIHARA Green Rotary Club	—	—	—	—	—	—	—
353	Holy Land Christian Mission	—	—	—	—	—	—	—
155	Red Crescent Society, Ramallah	—	—	—	—	—	—	—
22 275 735	**Total Non-governmental organizations**	4 046	1 428 025	1 432 071	15 614 170	368 345	15 982 516	17 414 586
2 453 275	**Other resources**	572 448	2 165 977	2 738 425	473 318	45 851	519 170	3 257 594
823 361 334	**Total contributions income**	699 228 258	35 489 712	734 717 970	230 402 870	67 856 484	298 259 354	1 032 977 324

B. Outstanding pledges by donor

Biennium 2002-2003				Regular budget			Non-regular budget			
Regular budget	Non-regular budget	Total	Donor	Cash	In kind	Total	Emergency appeal	Projects	Total	Grand total
			Governments							
—	—	—	Austria	—	—	—		65 089	65 089	65 089
797 750	820 849	1 618 599	Belgium	—	—	—	591 716		591 716	591 716
—	—	—	Government of Belgium (Flanders)	—	—	—	254 437		254 437	254 437
—	—	—	Canada	—	—	—		2 416 144	2 416 144	2 416 144
5 000	—	5 000	Chile	—	—	—		—	—	—
—	—	—	China	80 000	—	80 000	—	—	—	80 000
—	—	—	France	—	—	—	292 308		292 308	292 308
—	624 220	624 220	Germany	3 666 273	—	3 666 273		1 437 870	1 437 870	5 104 143
4 971	—	4 971	India	11 052	—	11 052			—	11 052
—	1 344 945	1 344 945	Italy	—	—	—		1 183 432	1 183 432	1 183 432
3 258 230	1 134 392	4 392 622	Japan	3 830 907	—	3 830 907		994 667	994 667	4 825 574
—	—	—	Korea, Republic of	—	—	—		93 159	93 159	93 159
—	357 604	357 604	Luxembourg	—	—	—			—	—
			Malaysia	50 000	—	50 000			—	50 000
			Maldives	1 000	—	1 000			—	1 000
—	183 753	183 753	Netherlands	—	—	—		2 199 807	2 199 807	2 199 807
57 829	—	57 829	Palestine	—	—	—			—	—
			Qatar	35 000		35 000			—	35 000
—	10 000 000	10 000 000	Saudi Arabia	—	—	—	20 000 000	—	20 000 000	20 000 000
—	—	—	Spain	3 558 586	—	3 558 586	1 775 148		1 775 148	5 333 734
—	19 981	19 981	Switzerland	—	—	—		452 866	452 866	452 866
9 524	—	9 524	Tunisia	—	—	—			—	—
—	1 776 199	1 776 199	United Arab Emirates	500 000	—	500 000			—	500 000
—	2 856 199	2 856 199	United Kingdom	1 721 170	—	1 721 170		258 176	258 176	1 979 346
4 133 304	**19 118 142**	**23 251 446**	**Total Governments**	**13 453 988**	**—**	**13 453 988**	**22 913 609**	**9 101 210**	**32 014 819**	**45 468 807**
			Intergovern-mental organizations							
—	401 000	401 000	Arab Gulf Programme for United Nations Development Organizations (AGFUND)	—	—	—	—	7 353	7 353	7 353
5 523 333	16 668 799	22 192 132	European Union	9 485 613	—	9 485 613	2 137 656	6 020 516	8 158 172	17 643 785
—	76 000	76 000	Islamic Development Bank (IDB)	—	—	—	—	—	—	—
5 523 333	**17 145 799**	**22 669 132**	**Total IGOs**	**9 485 613**	**—**	**9 485 613**	**2 137 656**	**6 027 869**	**8 165 525**	**17 651 138**
			United Nations organizations							
546 657	—	546 657	United Nations	123 814	—	123 814	—	—	—	123 814

Biennium 2002-2003				*Regular budget*			*Non-regular budget*			
Regular budget	*Non-regular budget*	*Total*	*Donor*	*Cash*	*In kind*	*Total*	*Emergency appeal*	*Projects*	*Total*	*Grand total*
—	—	—	UNICEF	—	—	—	—	22 500	22 500	22 500
44 287	—	44 287	UNESCO	—	—	—	—	—	—	—
590 944	—	**590 944**	**Total United Nations organizations**	**123 814**	—	**123 814**	—	**22 500**	**22 500**	**146 314**
			Non-governmental organizations							
—	70 000	70 000	OPEC	—	—	—	—	—	—	—
—	85 200	85 200	Response International	—	—	—	—	—	—	—
—	142 800	142 800	Right to Play, Canada	—	—	—	—	—	—	—
—	1 164 000	1 164 000	Saudi Committee	—	—	—	600 000	—	600 000	600 000
—	699 029	699 029	Syrian Arab Popular Committee	—	—	—	—	—	—	—
—	2 619 183	2 619 183	United Arab Emirates RCA	—	—	—	630 817	—	630 817	630 817
—	—	—	Lavelle Fund for the Blind, USA	—	—	—	—	48 825	48 825	48 825
—	—	—	Music in Me	—	—	—	—	12 889	12 889	12 889
			Risho Kosei Kai	2 177		2 177			—	2 177
—	—	—	Children International	—	—	—	125 996	—	125 996	125 996
—	**4 780 212**	**4 780 212**	**Total non-governmental organizations**	**2 177**	—	**2 177**	**1 356 813**	**61 714**	**1 418 527**	**1 420 704**
—	—	—	Other donors	—	—	—	—	8 000	8 000	8 000
10 247 581	**41 044 153**	**51 291 734**	**Total outstanding confirmed pledges**	**23 065 592**	—	**23 065 592**	**26 408 078**	**15 221 293**	**41 629 371**	**64 694 963**

Annex

United Nations Relief and Works Agency for Palestine Refugees in the Near East

General fund production units and canteen revenues for the biennium 2004-2005

(In United States dollars)

	Schools contributions and canteen revenues	*Production Units*				*Grand total*
		*Contracting**	*Carpentry*	*Embroidery*	*Total*	
Gaza						
Sales (income)	967 004	1 792 908	1 084 095	182 357	3 059 360	4 026 364
Cost of sales	799 552	2 385 200	1 096 888	178 761	3 660 849	4 460 401
Net income	**167 452**	**(592 292)**	**(12 793)**	**3 596**	**(601 489)**	**(434 037)**
Lebanon						
Sales (income)	787 390				—	787 390
Cost of sales	641 243				—	641 243
Net income	**146 147**	—	—	—	—	**146 147**
SAR						
Sales (income)	289 543				—	289 543
Cost of sales	264 071				—	264 071
Net income	**25 472**	—	—	—	—	**25 472**
Jordan						
Sales (income)	1 548 165				—	1 548 165
Cost of sales	1 650 526				—	1 650 526
Net income	**(102 361)**	—	—	—	—	**(102 361)**
W.B.						
Sales (income)	523 585				—	523 585
Cost of sales	509 252				—	509 252
Net income	**14 333**	—	—	—	—	**14 333**
Totals						
Sales (income)	**4 115 687**	**1 792 908**	**1 084 095**	**182 357**	**3 059 360**	**7 175 047**
Cost of sales	**3 864 644**	**2 385 200**	**1 096 888**	**178 761**	**3 660 849**	**7 525 493**
Net income	**251 043**	**(592 292)**	**(12 793)**	**3 596**	**(601 489)**	**(350 446)**

* Contracting Section was closed with total loss of (US$ 592,292) and all materials, inventories and equipment were transferred to the Technical Department's sections without changes.

C. Financial statements of the microfinance and microenterprise programme

Statement A

United Nations Relief and Works Agency for Palestine Refugees in the Near East

Microfinance and microenterprise programme balance sheet as at 31 December 2005

(In United States dollars)

Year 2004	*Particulars*	*Note*	*Year 2003*
	Assets		
	Non-current assets		
202 608	Property, plant and equipment	5	429 868
216 479	Loans receivable, net	4	159 680
419 087			**589 548**
	Current assets		
5 567 868	Loans receivable, net	4	7 859 641
—	Pledges receivable	8.1.2	943 396
702	Prepayments and other receivables		3 916
4 236 066	Cash and cash equivalents	3	7 494 612
9 804 636			**16 301 565**
10 223 723	**Total assets**		**16 891 113**
	Equity		
(4 158 445)	General undesignated		(4 660 194)
42 986	Fund held for training		19 296
—	Temporary restricted	8.1.1	2 927 978
45 000	Board designated fund/MIS system		45 000
13 138 028	Loan revolving fund	9/8.1.3	14 619 249
9 067 569	**Total equity (statement-C)**		**12 951 329**
	Non-current liabilities		
65 215	Retirement benefit obligations		73 650
65 215			**73 650**
	Current liabilities		
43 500	Payables and accruals		46 612
572 439	Bills payable to UNRWA	6	1 444 522
475 000	Liability to UNRWA — OPEC Pal Trust Fund	7	2 375 000
1 090 939	**Total current liabilities**		**3 866 134**
1 156 154	**Total liabilities**		**3 939 784**
10 223 723	**Total equity and liabilities**		**16 891 113**

Statement B

United Nations Relief and Works Agency for Palestine Refugees in the Near East

Microfinance and microenterprise programme statement of operating activities for the year ended 31 December 2005

(In United States dollars)

Year 2004	*Particulars*	*Note*	*Year 2005*
	Interest and other operating income		
1 542 704	Interest on loans		2 372 630
574 287	Recoveries from written off loans		655 384
39 533	Interest on bank deposits and other revenues		44 529
39 354	Training income		45 291
2 195 878	**Total operating revenues**		**3 117 834**
	Operating expense		
1 808 672	Salaries and related expenses		2 129 801
120 062	Special service contracts		126 850
144 729	Occupancy		151 291
69 420	Communication		58 653
67 830	Stationery and supplies		73 087
16 840	Minor equipment and maintenance		14 894
61 907	Travel and transportation		112 357
59 546	Depreciation		93 989
37 592	Programme support cost		52 580
289 900	Loans written off	4.3	732 168
	Cash loses		5 610
6 811	Training		5 459
77 173	Other cost		52 639
2 760 482	**Total operating expense**		**3 609 578**
(564 604)	**Operating loss for the year**		**(491 744)**
6 072	Gain (loss) on difference of currency		130
(558 532)	**Net operating loss for the year (statement C)**		**(491 614)**

Statement C

United Nations Relief and Works Agency for Palestine Refugees in the Near East

Microfinance and microenterprise programme statement of changes in net assets for the year ended 31 December 2005

(In United States dollars)

Particulars	*Unrestricted fund*	*Temporary restricted*	*Training fund*	*Board designated MIS*	*Revolving loan fund*	*Total*
Net assets as at 1 January 2004	**(2 926 370)**	—	**25 585**	**96 602**	**13 131 426**	**10 327 243**
Cumulative effect of terminating benefits obligations as of 1 January 2004	(57 215)	—	—	—	—	(57 215)
Opening loss for year 2004 (Statement-B)	(527 144)	—	(31 386)	—	—	(558 530)
Additional general reserves for bad debts	(643 929)	—	—	—	—	(643 929)
Releases to revolving loan fund	—	—	—	(6 602)	6 602	—
Inter-fund transfers	(3 787)	—	48 787	(45 000)	—	—
Net assets at beginning of year	**(4 158 445)**	—	**42 986**	**45 000**	**13 138 028**	**9 067 569**
Operating loss for the year (statement-B)	(467 924)	—	(23 690)	—	—	(491 614)
Releases from (additions) to general reserves for bad debts	(33 825)	—	—	—	—	(33 825)
Grants designated to capital	—	4 409 199	—	—	—	4 409 199
Releases to revolving loan fund	—	(1 481 221)	—	—	1 481 221	—
Net assets at end of year (statement-A)	**(4 660 194)**	**2 927 978**	**19 296**	**45 000**	**14 619 249**	**12 951 329**

Statement D

United Nations Relief and Works Agency for Palestine Refugees in the Near East

Microfinance and microenterprise programme statement of cash flow for the year ended 31 December 2005

(In United States dollars)

Year 2004	*Particulars*	*Year 2005*
	Cash flows from operating activities	
—	Contribution received	3 465 802
2 195 878	Interest on loans and other revenues	3 117 834
(2 816 696)	Loans issued net of collections	(3 000 967)
(1 851 872)	Cash paid to employees and suppliers	(1 902 875)
(2 472 690)	**Net cash provided by operating activities**	**1 679 794**
	Cash flows from investing activities	
(90 845)	Procurement of fixed assets	(321 248)
(90 845)		**(321 248)**
	Cash flows from financing activities	
475 000	Liability to UNRWA-OPEC Pal Trust Fund	1 900 000
475 000		**1 900 000**
(2 088 535)	**Increase in cash and banks during the period**	**3 258 546**
6 324 601	Cash at beginning of the year	4 236 066
4 236 066	**Cash on hand and deposits with banks at the end of year**	**7 494 612**
	Adjustments to reconcile changes in net assets to net cash provided by operating activities	
(1 202 462)	Change in net assets	3 883 760
289 900	Provision for loans losses	732 168
643 930	Change in general provisions for bad debts	33 825
59 546	Depreciation	93 989
(14 994 660)	Loans extended	(23 367 190)
12 177 964	Loans collection	20 366 223
—	Decrease (increase) in pledges receivable	(943 397)
(368)	Decrease (increase) in prepaid expenses	(3 214)
(432)	(Decrease) increase in payables and accruals	3 112
545 892	(Decrease) increase in bills payable to UNRWA	872 083
8 000	(Decrease) increase in termination benefits obligations	8 435
(2 472 690)		**1 679 794**

Notes to the microfinance and microenterprise programme financial statements

Note 1
Background

A. Microfinance and microenterprise programme

Since June 1991, the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) microfinance and microenterprise programme (MMP) in the West Bank and Gaza has helped promote small business development, create employment, improve the income of microenterprises and reduce poverty through the establishment of a number of targeted credit programmes aimed at small businesses, microenterprises and women. MMP is organized around three revolving loan funds in Gaza and two in the West Bank. The programme supports businesses varying in size from those employing just one or two individuals to small industries, and aims to satisfy a variety of needs such as capital funding and working capital financing.

MMP funds are disbursed to borrowers under four credit programme categories: small-scale enterprise credit, solidarity-group lending, consumer lending product and microenterprise credit.

Small-scale enterprise was the original credit instrument. Its objective is to provide small-scale enterprises with loans.

Microenterprise credit was introduced in Gaza in February 1996 and in the West Bank in March 1998 to meet the demand for working capital needs with existing micro- and small-scale enterprises that were unable to secure credit from commercial institutions due primarily to lack of required collateral.

Solidarity-group lending was introduced in Gaza in May 1994 to enable Palestinian women to participate in the local community.

Consumer lending product was established in 2002 in Gaza. It is aimed at helping workers and employees to purchase household requirements through loans that they can get from MMP. Target clients are people who have a fixed monthly income.

In 2003 two new MMP branches were established, in Syria (Yarmouk branch) and Jordan (Wehdat branch). The two branches disburse microenterprise credit loans only.

In 2004, the Ramallah branch was opened in the West Bank.

B. Small microenterprise training programme

MMP also provides training through its small microenterprise training programme (SMET). The main goal of the training programme is to contribute to the economic development of the Gaza Strip by supporting small businesses and encouraging entrepreneurship. Without a natural resource base, Palestinians have to rely on their skill, entrepreneurship and industriousness to promote economic growth. To achieve this goal, the aims of the training programme are:

(a) To provide a wide range of business training courses to the business community in Gaza;

(b) To promote an entrepreneurial spirit and the requisite skills;

(c) To develop a local training capacity through a team of trainers able to deliver courses using participatory, non-formal adult-education training techniques and technologies with up-to-date subject matter;

(d) To develop a business curriculum that is relevant to the state of the local economy and to make training material and resources more readily available;

(e) To encourage trainers who have developed training skills in the programme to transfer their experience in both teaching methodology and curriculum development to the universities and vocational training institutions where they teach;

(f) To promote cooperation and coordination among institutions engaged in small and microenterprise development, through contact groups and workshops;

(g) To enable small businesses in the Gaza Strip to compete in regional and global markets.

To achieve these objectives, the programme includes the following activities:

Business Training. This is the core activity of SMET. It provides a range of business training courses that meet the practical training needs of the small business community in Gaza. The business service model adopted pursues a demand-led approach that is relevant to the business needs of clients. The training style is participatory and based on adult-learning techniques and methodologies.

Start up your own business. The aim of this training programme is to encourage new business start-ups among women and new graduates from technical and vocational colleges and from universities. The encouragement of entrepreneurship and self-employment is an important tool for business development and economic and social development.

Curriculum development. In order to meet the goal of establishing best practices in the training process, the programme strives to incorporate relevance and participation in developing training manuals and curricula. The use of participatory and adult-education techniques in developing curricula leads to the development of training courses that are attractive to clients.

Building local training capacity. SMET works with a pool of 40 trainers who deliver its 92 training courses. Fifteen of these trainers form the core of trainers that conducts the bulk of the courses offered. The programme will continue to build a team of trainers capable of delivering courses in participatory, non-formal adult-education training techniques and technologies, with up-to-date subject matter.

The financial activities of the programme, comprising training fees charged and direct costs of the programme, are presented separately in the statement B.

2. Summary of significant accounting policies

The financial statements have been prepared in conformity with the International Financial Reporting Standards on the accrual basis of accounting,

except for interest accrued on unpaid loan principal, which is recognized as income on the date of receipt (see note 2.2).

A summary of significant accounting policies is presented below.

2.1 Basis of presentation

Funds of MMP and changes therein are classified and reported as follows:

(a) General undesignated net assets are assets whose use by MMP is not subject to donor-imposed restrictions. This includes retained earnings or losses from operations;

(b) Temporary restricted net assets are net assets whose use by MMP is limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled and released by actions of MMP pursuant to those donor-imposed stipulations;

(c) The revolving loan fund includes restricted contributions received for on-lending purposes that were expended as loans;

(d) Grants and donations: unrestricted grants and donations are recorded in the income statement below the net profit (loss) in the period they are received. Capital grants for loan funds are recorded first in temporary restricted net assets and then transferred to capital when the purpose restriction is accomplished.

2.2 Loans receivable and allowance for loan losses

At each balance-sheet date, management reviews the carrying amounts of its loan portfolio to determine whether there is any indication that these loans have suffered an impairment loss. Up to the end of 2004, indications for impairment losses, and accordingly the booking of specific provisions, have been determined on the basis of the aging of the outstanding portfolio, as shown below, by booking a provision expense in the income statement against increasing the loan loss reserve in the balance sheet. Loans outstanding for over 360 days were written off against the reserve for loan losses. Recoveries on loans previously written off were taken to the statement of profit and loss.

Up to the end of 2004, provisions for loan losses were determined every quarter in order to maintain adequate levels of the allowance for loan losses by applying defined percentages to the outstanding balances in various aging categories, as follows:

Days over due	1-30	31-60	61-90	91-120	121-180	181-360
Allowance (percentage)	5	10	25	50	75	100

In 2005 management changed its policy and determined that the impairment loss on the loan portfolio was a result of loans written off (more than 360 days overdue). Consequently those amounts were charged to the statement of profit and loss and credited to the loan asset. At the same time, management decided to continue the policy of calculating provisions on the basis of loan ageing categories as described above, by charging "general undesignated net assets" and by crediting the allowance for loan losses. Figures presented for the prior year have been restated to reflect this change.

Recoveries of previously written-off loans are taken to the statement of profit and loss in the period they are received.

Interest on loans

Interest income on loans provided is accounted for on the cash basis when payments are received. The accrual basis of accounting has not been applied in terms of International Accounting Standard (IAS) 18, paragraph 30 (a), which states that interest should be charged on a time proportion basis that takes into account the effective yield on the asset.

MMP has not accrued for interest income on loans provided at the end of 2005, as the financial systems and policies in place do not facilitate compliance with IAS 18. Therefore, MMP was unable to calculate accurately the interest income not accrued for at year's end per loan provided. This would, however, be corrected for 2006 year to facilitate compliance with IAS 18.

The extent of deviation from International Accounting Standard 18 has been estimated as indicated below, based on three possible policies. The effect of this deviation is that interest income for loans provided is estimated to be understated as follows, where:

(a) Interest income is accrued for 30 days: $21,690;

(b) Interest income is accrued for 60 days: $38,629;

(c) Interest income is accrued for 90 days: $80,294.

2.3 Property, plant and equipment

Fixed assets are stated at cost net of accumulated depreciation. Depreciation is computed on a straight-line basis over the estimated useful lives of the respective assets, as follows:

Assets	*Furniture and equipment*	*Computers and printers*	*Vehicles*	*Leasehold improvements*
Years	10	3	7	5

2.4 Employee separation benefits

A. Provident Fund

All area staff members of MMP/UNRWA participate in the Provident Fund contributory scheme. Monthly staff contributions to the scheme are set at 7.5 per cent of basic salary, and the UNRWA contribution is set at 15 per cent. Under the Provident Fund rules, staff members are allowed to make additional voluntary contributions up to a maximum of 50 per cent of monthly payroll. All participants received the lower of book or market value return for the period of membership in the Provident Fund. The Provident Fund is administered by the Provident Fund secretariat, with supervision and guidance provided by the Provident Fund Committee and the Investment Advisory Committee.

B. Retirement benefit obligation

Starting in 2005, MMP booked provisions for retirement-benefit obligations towards its "A" category staff and according to the policy described below. The financial statement for 2004 was restated to reflect the effect of the provision for that year, and the cumulative effect for the prior years was presented under net assets.

UNRWA staff are classified in three categories of employment:

"A" category: staff contracted before 1990

"X" category: staff contracted between 1990 and 1995

"Z" category: staff contracted after 1 September 1999

MMP has nine staff members in the "A" category; the rest are in the "X" and "Z" categories.

Only the "A" category staff are entitled to end-of-service benefits, as follows:

For termination indemnity there are three groups:

Group 1: less than 10 years of service or age less than 46

Group 2: 10 years or more of service and age between 46 and 55

Group 3: early voluntary retirement

The indemnity for each group is as follows:

Group 1: If total service = 1 —> 1 * base salary

If total service between 1.01 and 8.99 —> (total service - 1) * base salary

Group 2: If age = 46 —> 8.25 * base salary

If age = 47 —> 8.50 * base salary

If age = 48 —> 8.75 * base salary

If age = 49 —> 9.00 * base salary

If age = 50 —> 9.25 * base salary

If age = 51 —> 9.50 * base salary

If age = 52 —> 9.75 * base salary

If age = 53 —> 10.00 * base salary

If age = 54 —> 10.25 * base salary

If age = 55 —> 10.50 * base salary

Group 3: 0.085 * total years of service * annual base salary

Movement in the liability for 2005 and 2004 is as follows, in United States dollars:

Balance as at 1 January 2004	57 215
Add provision for 2004	8 000
Balance as at 31 December 2004	65 215
Add provision for 2005	8 435
Balance as at 31 December 2005	**73 650**

2.5 Foreign currency transactions

The books of accounts are maintained in United States dollars. Transactions in other currencies are translated to United States dollars at the United Nations exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in other currencies at the balance-sheet date are translated to United States dollars at the exchange rate prevailing at that date. Exchange differences arising on translation are recognized in the statement of operating activities. All other assets and liabilities are presented in United States dollars equivalents at their historical values:

Currency	*2005 US$*	*2004 US$*	*Change (percentage)*
Jordanian dinar	0.708	0.708	0.00
Israeli shekel	4.6	4.3	6.97
Syrian pound	52	52	0.00

3. Cash and cash equivalents

Currency of bank deposits	*31 December 2005*	*31 December 2004*
Jordanian dinar	652 179	1 125 551
New Israeli shekel	82 548	225 105
United States dollar	6 634 016	2 864 375
Syrian pound	125 869	21 035
Total	**7 494 612**	**4 236 066**

Deposit with banks in United States dollars as at 31 December 2005 and 2004 include the amounts of $1,217,562 and $475,000, respectively, from funds received from UNRWA designated for the OPEC Palestine trust fund.

4. Net loans receivable

Loans receivable include loans outstanding from funds disbursed through both initial donor contributions (first-time loans) and revolving loan funds.

The composition of loans receivable net of allowance for bad debts by maturity as at 31 December is as follows:

	31 December 2005	*31 December 2004*
Maturity less than 1 year	7 859 641	5 567 868
Maturity more than 1 year	159 680	216 479
Total	**8 019 321**	**5 784 347**

Net loans receivable are as follows, in United States dollars:

	31 December 2005			*31 December 2004*		
Product	*Loans*	*Provision*	*Net*	*Loans*	*Provision*	*Net*
SSE loans	699 827	(140 585)	559 242	704 354	(156 727)	547 627
MEC loans	6 332 973	(711 982)	5 620 991	4 762 005	(731 846)	4 030 159
SGL loans	1 424 321	(155 531)	1 268 790	1 140 948	(124 475)	1 016 473
CLP loans	632 098	(61 800)	570 298	213 113	(23 025)	190 088
Total	**9 089 219**	**(1 069 898)**	**8 019 321**	**6 820 420**	**(1 036 073)**	**5 784 347**

Net loans receivable represent the outstanding balances as at 31 December 2005 and 31 December 2004 less the calculated provision for uncollectable loans as at the same date. Net loans receivable is the net realizable value of loans disbursed.

Changes in loan balances during 2005 are as follows, in United States dollars:

Area	*Beginning*	*Issued*	*Repaid*	*Written off*	*Total*
Gaza					
SSE loans	704 354	463 500	(454 136)	(13 890)	699 828
MEC loans	1 905 625	5 841 224	(5 478 461)	(185 806)	2 082 582
SGL loans	1 140 948	3 220 650	(2 858 267)	(79 010)	1 424 321
CLP loans	213 113	1 315 900	(880 635)	(16 281)	652 097
Subtotal	**3 964 040**	**10 841 274**	**(9 671 499)**	**(294 987)**	**4 838 828**
West Bank					
MEC loans	1 928 400	8 737 429	(7 569 634)	(391 140)	2 705 055
Subtotal	**1 928 400**	**8 737 429**	**(7 569 634)**	**(391 140)**	**2 705 055**
Jordan					
MEC loans	649 493	2 399 412	(2 053 331)	(42 609)	952 965
Syrian Arab Republic					
MEC loans	278 487	1 389 075	(1 071 759)	(3 432)	592 371
Total	**6 820 420**	**23 367 190**	**(20 366 223)**	**(732 168)**	**9 089 219**

Loans receivable by area are as follows:

	31 December 2005		31 December 2004	
Area	*US$*	*Percentage*	*US$*	*Percentage*
Gaza	4 838 828	53	3 964 040	58
West Bank	2 705 055	30	1 928 400	28
Jordan	952 965	10	649 493	10
Syrian Arab Republic	592 371	7	278 487	4
Total	**9 089 219**	**100**	**6 820 420**	**100**

Loans receivable by type are as follows:

	31 December 2005		31 December 2004	
Programme	*US$*	*Percentage*	*US$*	*Percentage*
SSE	699 828	7	704 354	10
MEC	6 332 973	70	4 762 005	70
SGL	1 424 321	16	1 140 948	17
CLP	632 097	7	213 113	3
Total	**9 089 219**	**100**	**6 820 420**	**100**

Changes in the allowance for loan losses during 2005 are as follows, in United States dollars:

Area	*Beginning*	*Additions (releases)*	*Total*
Gaza			
SSE loans	156 727	(16 143)	140 584
MEC loans	245 009	98 933	343 943
SGL loans	124 476	31 055	155 531
CLP loans	23 023	38 778	61 800
Subtotal	**549 235**	**152 623**	**701 858**
West Bank			
MEC loans	448 042	(128 648)	319 394
Jordan			
MEC loans	32 823	8 137	40 960
Syrian Arab Republic			
MEC loans	5 973	1 713	7 686
Total	**1 036 073**	**33 825**	**1 069 898**

Written-off loans are as follows:

Programme	31 December 2005 US$	Percentage	31 December 2004 US$	Percentage
SSE	13 890	2	38 479	13
MEC	622 987	85	213 929	74
SGL	79 010	11	32 138	11
CLP	16 281	2	5 354	2
Total	**732 168**	**100**	**289 900**	**100**

Loans receivable, as at 31 December 2005, by sector, are as follows, in United States dollars:

	Agriculture	Commerce	Industry	Service	Others	Total
Gaza						
SSE loans	6 964	—	461 660	231 204	—	699 828
MEC loans	229 912	815 142	188 109	849 419	—	2 082 582
SGL loans	424 898	637 347	254 939	107 137	—	1 424 321
CLP loans[a]	—	—	—	—	632 097	632 097
Subtotal	**661 774**	**1 452 489**	**904 708**	**1 187 760**	**632 097**	**4 838 828**
West Bank						
MEC loans	12 091	1 088 361	223 592	1 381 011	—	2 705 055
Jordan						
MEC loans	—	431 407	135 701	385 857	—	952 965
Syrian Arab Republic						
MEC loans	—	342 864	69 011	180 496	—	592 371
Total	**673 865**	**3 315 121**	**1 333 012**	**3 135 124**	**632 097**	**9 089 219**

[a] CLP loans are disbursed to individuals for household improvements and are not distributed among any sector.

Loans receivable by sector are as follows, in United States dollars:

	31 December 2005 US$	Percentage	31 December 2004 US$	Percentage
Agriculture	673 865	7	452 165	7
Commerce	3 315 121	36	2 647 950	39
Industry	1 333 012	15	1 178 548	17
Service	3 135 124	35	2 328 644	34
CLP-individuals	632 097	7	213 113	3
Total	**9 089 219**	**100**	**6 820 420**	**100**

Loans receivable, as at 31 December 2005, distributed by geographical area, are as follows, in United States dollars:

Area	*SSE loans*	*MFC loans*	*SME loans*	*CEP loans*	*Total*
Gaza					
Gaza area	340 583	1 027 117	740 115	568 887	2 676 702
Middle area	163 293	313 689	278 912	63 210	819 104
Southern area	195 952	741 776	405 294		1 343 022
Subtotal	**699 828**	**2 082 582**	**1 424 321**	**632 097**	**4 838 828**
West Bank					
Nablus		777 890			777 890
Tulkarem		418 338			418 338
Ramallah		1 027 539			1 027 539
Jenin		184 074			184 074
Hebron		297 214			297 214
Subtotal	—	**2 705 055**	—	—	**2 705 055**
Jordan	—	952 965		—	952 965
Syrian Arab Republic	—	592 371		—	592 371
Total	**699 828**	**6 332 973**	**1 424 321**	**632 097**	**9 089 219**

5. Property, plant and equipment

Description	*Furniture and equipment*	*Computers and printers*	*Vehicles*	*Leasehold improvements*	*Total*
Cost					
Balance, 1 January 2005	165 242	130 234	151 929	52 965	500 370
Additions	57 661	49 041	100 732	113 814	321 248
Disposals	—	—	49 527	—	49 527
Balance, 31 December 2005	**222 903**	**197 275**	**203 134**	**166 779**	**772 091**
Accumulated depreciation					
Balance, 1 January	65 179	74 072	123 087	35 423	297 761
Additions	18 187	35 290	14 757	25 755	93 989
Disposals			49 527		49 527
Balance, 31 December 2005	**83 366**	**109 362**	**88 317**	**61 178**	**342 223**
Net book value	**139 537**	**69 913**	**114 817**	**105 601**	**429 868**

6. Bills payable to the United Nations Relief and Works Agency for Palestine Refugees in the Near East

Bills payable to UNRWA represent expenses paid by the Agency on behalf of MMP in respect of operating expenses incurred by the latter, billed on a monthly basis, and advances against donors' pledges as follows, in United States dollars:

Description	*Amount*
Expenses paid on behalf of MMP	484 779
Advances against donors' pledges	959 743
Total due to UNRWA	1 444 522

7. Liability to the United Nations Relief and Works Agency for Palestine Refugees in the Near East-Organization of Petroleum Exporting Countries Palestine trust fund

On 15 June 2004, UNRWA signed an administration agreement with the Organization of Petroleum Exporting Countries (OPEC) Fund for International Development (OFID), through which the fund will make available to UNRWA, as administrator, $2,500,000 to be used exclusively for the promotion of microenterprise through loans for the Palestinians in the occupied territories.

The administrator performing the services specified in the agreement may deduct programme support costs of up to 5 per cent from amounts disbursed by OFID into the Palestine fund. The administrator may also charge reasonable fees or other charges under the loan agreement to cover such costs of the administrator as may directly and reasonably be incurred in connection with the conclusion of loan agreements. UNRWA passed on the administration of the trust activities to the MMP department.

As at 31 December 2004, one instalment in the amount of $500,000 had been received by UNRWA. Programme support costs of $25,000 were deducted by UNRWA, and the balance of $475,000 was loaned to MMP to manage programme activities.

During 2005 UNRWA/MMP received a total of $2,000,000. An amount of $500,000 was received by the Gaza branch, and another $1,500,000 was received by the West Bank branch. The amount of $100,000 was paid to UNRWA as programme support cost, calculated at 5 per cent of the amount received. The balance of $1,900,000 represents the net liability to UNRWA under the second instalment, bringing the total accumulated liability to $2,375,000 as at 31 December 2005.

8. Grants and donations

Grants and donations during 2005 and 2004 are as follows:

Netherlands Ministry for Development Cooperation

According to grant agreement number RAM0064625, activity number 13168, signed on 1 December 2005 between the Netherlands Ministry for Development Cooperation and UNRWA, the amount of $4,800,000 was earmarked to support the UNRWA project proposal "Microfinance and disengagement: supporting economic

recovery and rehabilitation through microenterprise and housing credit", for the period from 1 December 2005 to 1 December 2006. The funds shall be transferred in advance in instalments amounting to a maximum of 72 per cent of the total contribution of $4,800,000 (not exceeding €4 million). The final instalment shall be paid after the definitive amount of the contribution has been determined in the final narrative and financial report.

The funds shall be administered and accounted for in accordance with UNRWA financial regulations and other applicable rules, procedures and practices and separate records and accounts of the programme shall be maintained. In accordance with these regulations, UNRWA deducts 7 per cent from funds available to MMP to cover programme support costs.

According to the grant budget, funding for MMP is as follows, in United States dollars, excluding the deduction for programme support costs:

Description	*Amount*
Total MMP portion	4 800 000
(Less) UNRWA programme support costs	(314 019)
Net to MMP allocated to	**4 485 981**
Revolving fund capital	4 285 981
Operating costs — Bethlehem branch	200 000
Amount received (temporary restricted)	
For Gaza MMP	1 659 987
For West Bank MMP	1 267 991
Total restricted fund	2 927 978
Disbursed for Gaza, 2005 (see note 9)	483 004
Total funds received	**3 410 982**

Government of Canada

Grant agreement number 7041359, project number Z-020711, signed on 28 February 2006 between the Government of Canada as represented by the Minister for International Cooperation, acting through the Canadian International Development Agency (CIDA) and UNRWA, provided for microcredit, job creation, and shelter rehabilitation activities that form part of the UNRWA contribution to the Gaza disengagement plan. According to the budget, the amount allocated to MMP was as follows:

Microfinance lending	$1,000,000
Microenterprise training (12 months)	$200,000

The duration of implementation under the agreement was from 28 February 2006 to 31 December 2007. However, management represented that CIDA allowed charging to the grant as from November 2005 on the microfinance component.

According to UNRWA financial policies and guidelines, 6 per cent of the MMP allocation is charged by UNRWA as programme support costs. The following is a

detail of the pledge receivable that was recorded in the books as at 31 December 2005:

MMP allocation towards lending	$1,000,000
Less 6 per cent of the net amount (UNRWA programme support costs)	$56,604
Net for lending	$943,396

The amount was recognized on a confirmed pledge.

Arab Gulf Programme for United Nations Development Organizations

In June 2003, UNRWA and the Arab Gulf Programme for United Nations Development Organizations concluded a grant agreement by which the donor pledged to contribute $60,000 towards microfinance for Palestine refugees in the Syrian Arab Republic. The amounts shown below represent MMP allocation net of UNRWA programme support costs of 12 per cent. The project is implemented and the full amounts shown below have been released to revolving loan fund capital.

2004	$26,785
2005	$26,786
Total	**$53,571**

9. Revolving loan fund

The revolving loan fund includes restricted contributions received for on-lending purposes that were expended in terms of loans. The composition of the fund, by funding source, as at 31 December 2005 is as follows, in United States dollars:

Donor	*Gaza*	*West Bank*	*Syrian Arab Republic*	*Total*
Australia	619 272	—	—	619 272
Canada	200 370	170 200	—	370 590
Germany	1 682 252	1 276 323	—	2 958 575
Italy	725 750	218 500	—	944 250
Japan	357 142	223 199	—	580 341
New Zealand	122 822	—	—	122 822
Norway	2 794 013	340 968	—	3 134 981
UNRWA	80 000	—	—	80 000
AGFUND	91 250	—	53 571	144 821
CIDA	943 396	—	—	943 396
Netherlands	483 004	—	—	483 004
USAID	4 237 197	—	—	4 237 197
Total	**12 336 468**	**2 229 210**	**53 571**	**14 619 249**

10. Geographical segments

MMP operates out of four principal field offices, located in the West Bank, Gaza, Jordan and the Syrian Arab Republic. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of borrowers. Segment assets are based on the geographical location of assets.

10.1 Statement of balance sheet by geographical segment

	Gaza		West Bank		Jordan		Syria		Total	
Assets	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Non-current assets										
Property, plant and equipment	108 640	71 801	242 179	67 042	38 580	25 133	40 469	38 632	429 868	202 608
Loans receivable, net	159 680	216 479	—	—	—	—	—	—	159 680	216 479
	268 320	**288 280**	**242 179**	**67 042**	**38 580**	**25 133**	**40 469**	**38 632**	**589 548**	**419 087**
Current assets										
Loans receivable, net	3 977 290	3 198 325	2 385 661	1 480 358	912 004	616 671	584 686	272 514	7 859 641	5 567 868
Pledges receivable	943 396	—	—	—	—	—	—	—	943 396	—
Prepayment and other receivables	3 916	702	—	—	—	—	—	—	3 916	702
Cash and cash equivalents	5 170 847	2 788 410	1 789 381	1 059 945	258 692	319 794	275 692	67 917	7 494 612	4 236 066
	10 095 449	**5 987 437**	**4 175 042**	**2 540 303**	**1 170 696**	**936 465**	**860 378**	**340 431**	**16 301 565**	**9 804 636**
Total assets	**10 363 769**	**6 275 717**	**4 417 221**	**2 607 345**	**1 209 276**	**961 598**	**900 847**	**379 063**	**16 891 113**	**10 223 723**
Equity										
General undesignated	(11 427 992)	(11 031 696)	(13 163 236)	(12 903 906)	29 892	(89 721)	(98 858)	(113 122)	(4 660 194)	(4 158 445)
Fund held for training	19 296	42 986	—	—	—	—	—	—	19 296	42 986
Temporary restricted fund	1 659 987	—	1 267 991	—	—	—	—	—	2 927 978	—
Board designated Fund/MIS system	45 000	45 000	—	—	—	—	—	—	45 000	45 000
Revolving loan fund	12 336 468	10 876 818	2 229 210	2 229 210	—	—	53 571	30 000	14 619 249	13 138 028
Total equity	**12 632 759**	**9 915 108**	**333 965**	**(674 696)**	**29 892**	**(89 721)**	**(45 287)**	**(83 122)**	**12 951 329**	**9 067 569**
Non-current liabilities										
Retirement benefit obligations	40 980	36 629	32 670	28 586	—	—	—	—	73 650	65 215
	40 980	**36 629**	**32 670**	**28 586**	—	—	—	—	**73 650**	**65 215**

	Gaza		West Bank		Jordan		Syria		Total	
Assets	*2005*	*2004*	*2005*	*2004*	*2005*	*2004*	*2005*	*2004*	*2005*	*2004*
Current liabilities										
Payables and accruals	10 875	10 875	12 700	10 875	12 112	10 875	10 925	10 875	46 613	43 500
Inter-office accounts	(4 815 923)	(4 335 898)	2 768 380	2 938 354	1 130 511	994 249	917 032	403 295	—	—
Bills payable to UNRWA	1 056 371	174 003	333 213	304 226	36 761	46 195	18 177	48 015	1 444 522	572 439
Liability to UNRWA OPEC Pal Trust Fund	1 438 707	475 000	936 293	—	—	—	—	—	2 375 000	475 000
Total current liabilities	(2 389 970)	(3 676 020)	4 050 586	3 253 455	1 179 384	1 051 319	946 134	462 185	3 866 134	1 090 939
Total liabilities	(2 268 990)	(3 639 391)	4 083 256	3 282 041	1 179 384	1 051 319	946 134	462 185	3 939 784	1 156 154
Total equity and liabilities	10 363 769	6 275 717	4 417 221	2 607 345	1 209 276	961 598	900 847	379 063	16 891 113	10 223 723

10.2 Statement of profit and loss by geographical segment

	Gauteng		West Rand		Orange Free State		Eastern Cape		Corporate Office		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Interest and operating income												
Interest on loans	1 208 916	956 757	699 751	353 288	313 122	165 529	150 841	64 830	—	—	2 372 630	1 542 704
Recovery from written off loans	311 467	334 300	339 128	239 987	4 620	—	169	—	—	—	655 384	574 287
Interest on deposit and other revenues	30 145	22 458	7 415	13 086	4 720	2 698	2 249	1 291	—	—	44 529	39 533
Total operating revenues	**1 550 528**	**1 315 515**	**1 046 294**	**606 361**	**322 462**	**168 527**	**153 259**	**66 121**	**—**	**—**	**3 072 543**	**2 156 524**
Operating expense												
Salaries and related exp.	1 029 220	965 235	647 096	716 814	94 835	86 774	55 369	39 849	275 603	—	2 102 123	1 808 672
Special service contracts	35 135	32 035	40 931	51 650	20 345	17 587	16 914	18 790	13 525	—	126 850	120 062
Occupancy	59 682	62 119	63 731	52 452	8 745	10 708	16 102	19 450	3 031	—	151 291	144 729
Communication	23 763	37 864	23 112	22 775	6 024	5 781	3 058	3 000	2 696	—	58 653	69 420
Stationery and supplies	25 546	28 732	35 924	33 370	3 281	1 705	1 699	4 023	6 637	—	73 087	67 830
Minor equipment and maintenance	6 220	14 701	6 821	1 522	827	47	1 026	570	—	—	14 894	16 840
Travel and transportation	49 151	32 897	33 521	25 196	2 491	2 579	8 624	1 235	18 770	—	112 557	61 907
Depreciation	23 592	15 703	28 581	30 042	8 804	7 810	13 063	5 991	19 949	—	93 989	59 546
Loss on exchange difference	2 070	(7 242)	(4 382)	1 310	544		1 638	(140)	—	—	(130)	(16 072)
Loans written off	294 987	199 145	391 140	87 371	42 609	3 384	3 432	—	—	—	732 168	289 900
Programme support cost	15 739	14 755	28 799	13 535	1 934	3 770	4 108	5 532	—	—	52 580	37 592
Cash losses	—	—	385	—	—	—	5 225	—	—	—	5 610	—

	Gaza		*West Bank*		*Jordan*		*Syria*		*Central Office*		*Total*	
	2005	*2004*	*2005*	*2004*	*2005*	*2004*	*2005*	*2004*	*2005*	*2004*	*2005*	*2004*
Training	2 395	3 473	1 000	3 338	837		1 227			—	5 459	6 811
Others	2 476	4 516	1 463	1 605	1 436	101	5 797	211	164	—	11 336	6 433
Total operating expenses	**1 569 976**	**1 403 933**	**1 298 122**	**1 040 980**	**194 712**	**140 246**	**137 282**	**98 511**	**340 375**	—	**3 540 467**	**2 683 670**
Allocation of central office operating expenses	204 225		136 150						(340 375)			
Operating income/(loss) year	**(223 673)**	**(88 418)**	**(387 9[illegible])**	**(434 619)**	**127 750**	**28 281**	**15 977**	**(32 390)**	—	—	**(467 924)**	**(527 146)**

11. Risk

Risk is inherent in the microfinance industry. Effective risk management is seen as the only way for microfinance institutions to keep functioning. Ultimate responsibility for effective management of risk rests with the Director of the microfinance and microenterprise programme.

Several types of risk apply to MMP:

(a) Credit risk is the risk that a counterparty will not settle its obligations in accordance with the agreed terms;

(b) Country risk is the risk that a counterparty will be unable to meet its contractual obligations as a result of adverse economic conditions or actions taken by the Government of the relevant country;

(c) Market risk is the exposure created by potential changes in market prices;

(d) Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due;

(e) Operational and other risks are the risk of direct and indirect loss due to an event or action causing the risks having operational risk impact;

(f) Political risk is the risk that a political situation will make it difficult for microfinance institutions to function — for example, war situations.

In Palestine, because of the present circumstances, political risk, country risk and credit risk are very high. To mitigate risk, management did the following:

(a) Small-scale enterprise loans were significantly reduced starting in 2001. In this category the amount of loans is relatively large, which entails a high risk factor because of the present situation. Management decided to significantly reduce its activities under this programme in both Gaza and West Bank;

(b) Management concentrated on expanding activities under the microenterprise credit and solidarity-group lending categories. These loans range in amount from $1,000 to $8,000 and from $400 to $4,000, respectively, and are aimed at distributing the risk to a larger number of borrowers;

(c) An effective internal control system and procedures were implemented. Constant follow-up and loan-monitoring procedures were introduced to reduce credit risk.

12. Restatement of prior-year balances

Prior-year balances were restated and reclassified to conform with 2005 classifications (see statement C).

13. Portfolio quality

Portfolio-at-risk ratio

The portfolio-at-risk ratio (balance of loans in arrears/value of loans outstanding) measures the amount of default risk in a portfolio. An increasing ratio is negative.

Value of loans in arrears = the outstanding balance (principal remaining to be paid) of loans that are at higher risk because a payment is late.

Days past due	2005 Principal outstanding US$	2005 Portfolios at risk (percentage)	2004 Principal outstanding US$	2004 Portfolios at risk (percentage)
Current	4 561 900		3 806 981	
1 to 30	2 340 629	25.75	1 279 583	18.71
31 to 60	647 270	7.12	404 931	5.94
61 to 90	375 012	4.12	267 288	3.92
91 to 120	233 638	2.57	279 242	4.09
121 to 180	298 994	3.28	305 597	4.48
181 to 360	631 776	6.95	476 798	6.99
	9 089 219	**49.79**	**6 820 420**	**44.18**
Portfolios at risk over 30 days (percentage)		**24.05**		**25.42**

Portfolio-in-arrears ratio

The portfolio-in-arrears ratio (value of payments in arrears/value in loans outstanding) indicates the amount of loan payments past due. An increasing ratio is negative.

Value of loans in arrears = the value of payments due (unpaid loan instalments)

Portfolio in arrears

Days past due	2005 Payment in arrears US$	2005 Portfolios in arrears (percentage)	2004 Payment in arrears US$	2004 Portfolios in arrears (percentage)
1 to 30	404 036	4.45	380 225	5.57
31 to 60	216 405	2.38	228 569	3.35
61 to 90	144 965	1.59	172 097	2.52
91 to 120	119 083	1.31	240 744	3.53
121 to 180	177 247	1.95	220 466	3.23
181 to 360	323 624	3.56	134 428	1.97
	1 385 360	**15.24**	**1 376 529**	**20.17**

Operating self-sufficiency ratio

The operating self-sufficiency ratio (interest and recovery/operating expenses and additional provision for loan losses) measures how well MMP covers its costs through its operating activities. An increasing ratio is positive.

	2005 US$	2004 US$
Interest and recovery	3 028 014	2 116 991
Operating expenses	3 540 467	2 683 670
Operating self-sufficiency ratio (percentage)	**86**	**79**

Loan officer productivity

Loan officer productivity (number of active borrowers/number of loan officers) measures the average caseload of each loan officer. An increasing ratio is positive.

	2005	*2004*
Number of active borrowers	14 726	11 628
Number of loan officers	126	110
Loan officer productivity	**117**	**106**

D. Financial report of the Area Staff Provident Fund

United Nations Relief and Works Agency for Palestine Refugees in the Near East mission statement

1. The mission of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) is to provide education, health, relief and social services as well as access to microcredit, microfinance and microenterprise opportunities for Palestine refugees living in Jordan, Lebanon, the Syrian Arab Republic, the West Bank and the Gaza Strip. The primary beneficiaries of UNRWA services are Palestine refugees, particularly the most vulnerable groups, including children, women, the aged and the disabled, although certain non-refugees are provided services under exceptional circumstances, as mandated by the General Assembly.

United Nations Relief and Works Agency for Palestine Refugees in the Near East background

2. UNRWA was established by General Assembly resolution 302 (IV) of 8 December 1949 as a separate entity within the United Nations system and it began operations on 1 May 1950. The mandate of UNRWA has been renewed repeatedly, most recently by Assembly resolution 59/117 of 10 December 2004, when it was extended until 30 June 2008.

3. UNRWA reports directly to the General Assembly, to which the Commissioner-General submits an annual report. A general review of UNRWA programmes and activities is undertaken on an annual basis by the 10-member Advisory Commission, which includes representatives of the Agency's donors and host authorities. The Advisory Commission has a working relationship with the Palestine Liberation Organization.

Area Staff Provident Fund

4. The Area Staff Provident Fund was established by the Commissioner-General within the framework of Area Staff Regulations and Rules for the purpose of providing to eligible area staff members upon their separation those benefits to which they may become entitled under the provisions of area staff rule 109.10.

5. The Fund is administered and controlled by and at the discretion of the Commissioner-General, and in accordance with such instructions and procedures as he or she may prescribe. The expenses incurred in the administration of the Provident Fund shall be met by the Fund. The Commissioner-General has

established three bodies to administer the Fund: the Provident Fund secretariat, the Investment Advisory Committee and the Provident Fund Committee.

6. The Fund is held by the Agency in trust for the area staff members, who are entitled to the benefits under the Provident Fund and have their accounts charged for the withdrawal of benefits. Notwithstanding the foregoing, the area staff members shall have no claim against the Fund assets as such, and any assets remaining after the Agency has paid all benefits shall remain assets of the Agency. The Provident Fund has not been established as a separate legal entity.

Provident Fund assets and investment

7. The assets of the Fund are derived from:

(a) Contributions of the participants;

(b) Contributions of the Agency;

(c) Net return of the investments of the Fund.

The assets are the property of the Fund and are acquired and held in the name of the Fund, separately from the assets of the Agency, on behalf of the participants in the Fund.

8. The investment objectives of the Fund are one of the key drivers for establishing an appropriate investment strategy. Objectives need to address, among other things, the risks that members face. The following are the main investment objectives of the Fund:

(a) Provide good long-term real rates of return so that the value of participants' accumulated balances is maximized and purchasing power is, at the minimum, maintained;

(b) Provide protection for participants' accumulated assets against sudden and sustained reductions in capital values;

(c) Ensure that all members are treated equally;

(d) Avoid unnecessary increases in the cost and complexity of the Fund in terms of administration and communication.

9. The assets of the Fund are managed through specialized reputable investment managers. They provide investment services based on the investment guidelines provided by the Fund. Custody of the Fund assets is maintained by a global custodian.

Provident Fund loan scheme

10. A Fund loan scheme has been established by the Commissioner-General in accordance with the area staff rules. Under this scheme, a participant in the Fund who meets the stated criteria and conditions may borrow for the specified humanitarian purposes against his/her Fund mandatory staff credits. The operation of this scheme shall always remain within the mandate of the Fund, thus protecting the integrity and tax-exempt status of the Fund.

Financial results

11. The attached financial statements of the Area Staff Provident Fund indicate that the investments of the Fund increased from $942.77 million to $947.49 million during 2005.

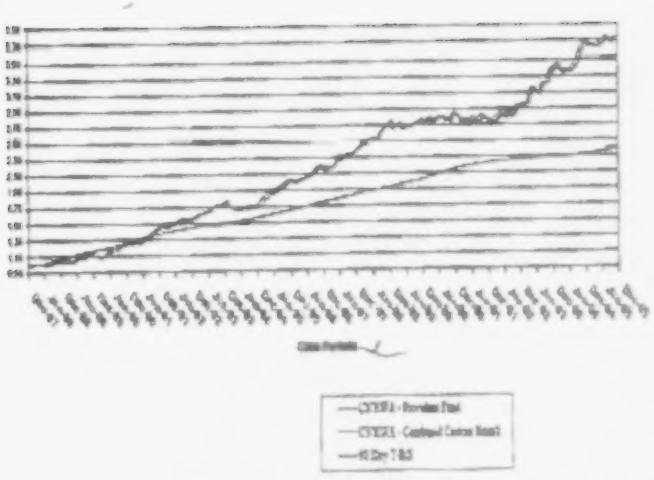
12. The Fund's investment income for the year was $62.34 million, compared with $85.77 million for the previous year.

13. The income available to the credit of the Fund participants as at 31 December 2005 amounted to $22.45 million, compared with $82.65 million for the previous year.

14. The Fund's total administration expenses as at 31 December 2005 were $385,100, compared with $300,815 as at 31 December 2004.

Performance

15. The Provident Fund has achieved the returns of the custom benchmark since December 1987. These returns are higher than the 90-day treasury bill returns, as shown in the figure below.



16. The Provident Fund reported a positive return of 2.50 per cent over one year, outperforming the benchmark by 0.41 per cent. The three- and five-year returns have also exceeded the benchmark returns, as shown in the figure below.

E. Financial statements of the Area Staff Provident Fund

PF Statement 1

United Nations Relief and Works Agency for Palestine Refugees in the Near East

Area Staff Provident Fund statement of financial performance for the year 2005

(In United States dollars)

2004	Details	Note	2005
	Income		
59 801 980	Gross investment income	5	62 215 962
25 875 961	Unrealized capital gains	5	
92 849	Administration fee on PF loans	7	123 562
85 770 790	**Total income**		**62 339 524**
	Expenses		
1 710 171	Investment management fees	9	1 361 995
	Unrealized capital loss	5	38 414 253
262 436	General administration expenses	10	321 247
38 379	Participants loan scheme administration expenses	10	63 853
2 010 986	**Total expenses**		**40 161 348**
83 759 804	**Net income for the year**		**22 178 176**
(54 470)	Transfer (to)/from reserve for loan administration expenses	8	(67 641)
—	Prior years' excess of reserve for loan scheme	8	503 260
83 705 334	**Income available to the credit of members**		**22 613 795**

PF Statement 2

Area Staff Provident Fund balance sheet as at 31 December 2005

(In United States dollars)

31 December 2004		*Details*	*Note*	*31 December 2005*	
		Assets			
		Current assets			
	123 316	Security lending and cash		327 966	
	942 646 128	Held for trading financial assets	14	947 161 598	
942 769 444			15		947 489 564
270 462		Accounts receivable — UNRWA	11		—
10 568 305		Accrued Investment Income	4		9 058 529
46 739 073		Humanitarian loans to members	7		46 486 921
1 000 347 284		**Total assets**			**1 003 035 014**
		Equity			
	869 494 011	Member's credits	13	932 029 989	
	46 739 073	Restricted members' credits on loans	7	46 486 921	
	82 650 339	Income available to members		22 448 933	
	635 618	Reserve for loan administration expenses	8	200 000	
999 519 041		**Total equity**			**1 001 165 843**
		Liabilities			
		Current liabilities			
	682 225	Accrued management fees	9	551 667	
	—	Accounts payable — UNRWA	11	1 132 141	
	—	Accrued audit fees	10	46 650	
	146 008	Ex-participants' credits		138 713	
828 243		**Total liabilities**			**1 869 171**
1 000 347 284		**Total equity and liabilities**			**1 003 035 014**

PF Statement 3

Area Staff Provident Fund statement of changes in members credits and income for the year 2005

(In United States dollars)

2004			2005	
Members credits	*Income (Loss)*	*Details*	*Members credits*	*Income (Loss)*
766 453 758	**109 727 134**	**Balance as at 1 January 2005**	**869 494 011**	**82 650 339**
14 902 594		Contributions — members	14 898 886	
26 422 278		Contributions — agency	29 866 933	
10 843 292		Loan repayments	11 253 727	
(50 616 800)		Withdrawals	(64 024 390)	
(9 290 121)		New loans	(12 356 201)	
108 901 548	(108 901 548)	2004 Interest credited to members	81 882 488	(81 882 488)
779 394	(799 393)	2004 Interest paid to separated members	769 940	(769 940)
	(1 120)	Additional interest paid to members		(20 176)
1 100 068	(1 100 069)	2005 Interest paid to separated members	142 597	(142 597)
	83 705 335	2005 Interest income available to members		22 613 795
869 494 011	**82 650 339**	**Balance as at 31 December 2005**	**932 029 989**	**22 448 933**

PF Statement 4

Area Staff Provident Fund statement of cash flow for the year 2005

(In United States dollars)

2004	Details	2005
	Cash flows from operating activities	
83 705 335	Net income available for distribution	22 613 795
	Decrease/Increase accrued audit fees	46 650
(39 356)	Decrease in accrued management fees	(130 568)
2 579 802	Decrease in accrued income	1 509 776
86 245 781	**Net cash flows from operating activities**	**24 039 653**
	Cash flows from investing activities	
(81 335 040)	Increase in investments	(4 515 470)
1 382 691	Decrease/increase in humanitarian loans to members	252 152
(79 952 349)	**Net cash flows from investing activities**	**(4 263 318)**
	Cash flows from financing activities	
103 040 252	Increase in members credits	62 535 979
(1 382 691)	Decrease/increase in restricted funds for loan scheme	(252 152)
54 470	Decrease/increase in reserve for loan administration expenses	(435 618)
(110 782 130)	Income credited and paid to members	(82 515 201)
2 879 607	Decrease/increase in accounts receivable/payable — UNRWA	1 402 603
(41 745)	Decrease in ex-participants credits	(7 296)
(6 232 237)	**Net cash flows from financing activities**	**(19 571 685)**
61 195	**Net increase (decrease) in cash and cash equivalents**	**204 650**
62 121	Cash and cash equivalents at the beginning of the year	123 316
123 316	Cash and cash equivalents at the end of the year	327 966
61 195	**Net increase (decrease) in cash and cash equivalents balance**	**204 650**

Notes to the Provident Fund financial statements

Note 1
Description of the Provident Fund

The United Nations Relief and Works Agency for Palestine Refugees in the Near East Provident Fund is a retirement benefit plan that applies to all area staff members, who are eligible to participate after six months service. It is a defined-contribution plan, whereby the amounts to be paid as retirement benefits are determined by contributions to the fund together with investment earning thereon. The Provident Fund had 26,606 members as at 31 December 2005. Staff contribution is a mandatory 7.5 per cent of basic salary and is matched by the Agency contribution of 15 per cent. Staff members can also make additional voluntary contributions up to a maximum of 50 per cent of basic salary. The Provident Fund is administered by the Provident Fund secretariat, and two committees, the Provident Fund Committee and the Investment Advisory Committee (IAC), provide additional governance. The Commissioner-General has the ultimate authority over the Fund.

Note 2
Provident Fund benefits

A staff member who is a participant in the Provident Fund shall, upon separation from the Agency's service, be paid Provident Fund benefits as follows:

(a) A staff Provident Fund benefit equal to the balance of staff credits in his/her account current to the date of separation;

(b) An Agency Provident Fund benefit equal to the balance of Agency credits in his/her account current to the date of separation;

(c) In addition, the income earned each year by the Provident Fund assets, which is applied to the participant's account.

Note 3
Summary of significant accounting policies

Basis of presentation

The financial statements have been prepared in conformity with the International Financial Reporting Standards:

(a) Fundamental accounting assumptions of going concern, consistency and accrual are followed in the financial statement presentation;

(b) The financial statements are prepared under the historical cost convention, with the exception of investment assets, which are reported at market value.

Investment valuation

(a) The investments have been valued as at 31 December 2005 on the basis of current market value;

(d) The Provident Fund investments in bonds and equities are classified as financial assets held for training.

(e) Forward exchange contracts taken out by the outsourced fund managers are designated as derivative instruments held for trading and accounted for at fair value through profit or loss.

Investment income recognition

(f) Interest income is accrued at balance-sheet date. Realized and unrealized capital gains are included as income. Realized and unrealized capital losses are presented as expenditure.

Rates of exchange

(g) The Provident Fund is denominated in United States dollars. Investment managers' transactions executed in other currencies are booked in United States dollars at the market rates of exchange prevailing at the time of the transaction. Provident Fund liabilities and expenses in other currencies are translated in United States dollars at the United Nations operational rates of exchange prevailing at the time of the transaction.

Risks of Provident Fund investment

(h) The risk included in Provident Fund investments is within the tolerance of the members. This accepted risk should be endured by the Fund to achieve the expected return. Any undesired risk is not included in Provident Fund investments. The accepted risk is properly managed and controlled by the Provident Fund investment guidelines and is closely monitored and scrutinized by the Fund managers, the Provident Fund Committee, the Investment Advisory Committee and the Provident Fund secretariat.

(i) Similar to other investments of this nature, the Provident Fund investment could be subject to such risks as market risk, country risk, credit risk, liquidity risk, currency risk and political risk. The degree of exposure to these risks depends on the nature, quality and characteristics of the individual investment.

Note 4
Investments and asset allocation

The assets allocation strategy is 70 per cent bonds and 30 per cent equities. However, the actual asset allocation of the portfolio as at 31 December 2005 was 62 per cent bonds, 33 per cent equities and 5 per cent cash, due to market movements. The Provident Fund employed the services of six investment managers in 2005, four with bond mandates and two with equity mandates. The custody of the fund assets is with a global custodian, the Northern Trust Company. Northern Trust also administers a securities-lending programme on behalf of the Provident Fund, as well as being responsible for measuring manager performance. The market value of investments as at 31 December 2005 was $947,489,564, in addition to an accrued income of $9,058,529.

Distribution of investments

(Percentage)

Region	*Baring International*	*Deutsche Bank*	*Fiduciary Trust*	*Julius Baer*	*Gulf Bank*	*State Street*	*Total*
Europe	25	24	25	23	29	28	26
Pacific Basin	17	12	10	13	15	14	14
North America	58	64	65	64	56	57	60
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**

Type	*Baring International*	*Deutsche Bank*	*Fiduciary Trust*	*Julius Baer*	*Gulf Bank*	*State Street*	*Total*
Cash	9	10	3	2	3	1	5
Bonds	91	90	97	98	0	0	62
Equities	0	0	0	0	97	99	33
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**

Note 5
Investment income

Gross investment income for the year 2005 comprises the following in United States dollars:

2004		*2005*
26 530 776	Interest from fixed-income securities	22 990 130
4 624 833	Dividends from equities	6 407 439
27 370 821	Realized capital gain	31 361 222
1 275 550	Income on cash and securities lending	1 256 971
59 801 980	**Total**	**62 215 962**

Unrealized capital gain (loss) for 2005 is as follows in United States dollars:

2004		*2005*
0	Unrealized capital loss	(38 414 253)
25 875 961	Unrealized capital gain	0
25 875 961	**Total unrealized capital gain (loss)**	**(38 414 253)**

Note 6
Investment performance

Investment objective

The fund managers' investment performance is measured against UNRWA customization of market benchmarks. The construction of these benchmarks is as follows:

(a) Combined custom benchmark: 70 per cent fixed income and 30 per cent equities;

(b) Fixed-income custom benchmark: Lehman Global Aggregate Index 40 per cent, hedged to United States dollars;

(c) Equity custom benchmark: Morgan Stanley Capital International World Developed Markets Net Index.

The fixed-income managers — Baring International, Deutsche Asset Management, Fiduciary Trust and Julius Baer — are expected to achieve returns in excess of the UNRWA fixed-income custom benchmark, whereas the global equity managers — Gulf International Bank and State Street Global Advisors — are expected to achieve performance in excess of the return from the UNRWA equity custom benchmark. For all managers, preservation of the capital is considered of primary importance, with liquidity as secondary.

Fund performance

The total Fund achieved positive excess performance in 2004 and 2005. The table below shows a summary of Provident Fund aggregate and asset-class performance against the benchmarks for those years.

The objective of the Fund is to achieve the benchmark return; the Fund was successful in exceeding the benchmark return in both bonds and equities. However, 2005 was a difficult year for all bond investments; hence, the performance of the bond index and the bond portfolios was negative. Accordingly, the gross income of the total portfolio for 2005 experienced a large drop from the previous year's performance.

Performance
(Percentage)

2004	*Details*	*2005*
7.74	Total fixed-income managers	-0.81
7.52	Market fixed-income customized benchmark	-1.05
14.76	Total equity managers	9.65
14.72	Market equity customized benchmark	8.50
9.76	Total Provident Fund	2.50
9.65	Market combined customized benchmark	2.09

Note 7
Provident Fund loan scheme

For the purposes of greater transparency, the Provident Fund loan scheme has been included in the statement of net assets for 2004 and 2005, rather than as a note to the financial statements. UNRWA staff members are eligible for humanitarian loans and loans for the purposes of educational, medical and housing needs. Loans are granted only to those staff members qualifying under the strict eligibility criteria of the scheme. Loans are restricted in that members do not earn income on the amount of their balances distributed as loans. An administration fee of 1 per cent is charged on all Provident Fund loans. As at 31 December 2005, 10,382 members had 18,878 loans outstanding amounting to $46,486,921, while at 31 December 2004, 9,918 members had 17,175 loans outstanding amounting to $46,739,073.

Outstanding loans provided to members are accounted for at cost and not at amortized cost as required by International Accounting Standard (IAS) 39, as the financial systems in place do not facilitate compliance with IAS 39. Therefore, the Provident Fund was unable to accurately calculate the net present values at year's end per loan provided. The feasibility of the changes to the system needed to facilitate compliance with IAS 39 will be considered during 2006. The extent of deviation from IAS 39 has been estimated on the basis of the following assumptions:

(a) The book value of Provident Fund humanitarian loans as at 31 December 2005 stood at $46,486,921;

(b) The total Provident Fund loan repayments for 2005 amounted to $11,255,727;

(c) As a result of various acceleration factors, it is assumed that the loan repayments will be accelerated by 25 per cent annually. An end-of-year repayment has been used in the calculation, thus making that assumption a conservative one;

(d) The market basic risk-free rate of 1.5 per cent was used in calculating the present value of loans.

The overall effect of this deviation from IAS 39 is that the value of assets outstanding was represented by loans provided to members, and the corresponding liability of restricted members' credits on loans are estimated to have been $1,371,727.20.

Note 8
Reserve for loan administration expenses

A reserve account has been established for any excess remaining from the administration fee levied on Provident Fund loans and actual loan-administration expenses. This allows for any future shortfalls in expenditure during the life of the loans.

In 2005 the ceiling of the reserve balance was determined at $200,000, and the excess was transferred to the income.

Reserve for loan administration expenses

(United States dollars)

2004		2005
581 149	**Balance as at 1 January 2005**	**635 619**
54 470	Transfer to (from) reserve	67 641
	Prior-year excess of reserve for loan scheme	(503 260)
635 619	**Balance as at 31 December 2005**	**200 000**

Note 9
Management fees

Investment management and custodian fees are paid by the Provident Fund to the fund managers and the custodian on the basis of the agreed contracts. The amount of the investment management and custody fees for 2005 was $1,361,995, against $1,710,171 for 2004.

Note 10
Administration costs

The statement of administration expenses outlines expenses incurred by the Provident Fund secretariat and by other Agency departments in the course of administering the Provident Fund. The Agency expenses shown below are allocated between general and loan-scheme administration according to the staff time spent.

Administration expenses

(United States dollars)

2004	*Annex*	2005
	Provident Fund secretariat	
87 576	Staff costs — established posts	101 406
3 065	Computer equipment and furniture	3 383
51 989	Travel costs	55 055
1 465	Telecommunications	2 514
26 515	Other costs	31 149
170 610	**Subtotal**	**193 307**
130 205	Agency administration expenses	145 143
	Audit-fee expense	46 650
300 815	**Total**	**385 100**
	Allocated between	
262 436	General administration	321 247
38 379	Loan-scheme administration	63 853

The audit-fee expenses is the estimate of fees for external audit conducted in 2005, while the charge for 2004 was nil, as no service was provided by the external auditors.

Note 11
Accounts receivable — United Nations Relief and Works Agency for Palestine Refugees in the Near East

The movement of funds and the resulting amount owed by UNRWA to the Provident Fund as at 31 December 2005 is as follows, in United States dollars:

2004	Account movements — UNRWA	2005
3 150 069	**Amount due from UNRWA as at 1 January 2005**	**270 460**
	Add: inflows to the Fund	
	Contributions inflow	
13 786 009	Members' mandatory and voluntary contributions	14 998 886
26 484 127	Agency contributions	28 784 095
1 054 735	Add: adjustments to members' credits	1 082 836
41 324 871	**Total contributions inflow**	**44 865 817**
	Loan-scheme and funding inflow	
10 841 297	Loan repayments	11 253 727
92 849	Administration fee on Provident Fund loans	123 562
5 111 982	Net fund transfers to UNRWA	10 098 804
16 046 123	**Total loan-scheme and funding inflow**	**30 478 093**
60 521 063	**Total inflows**	**75 614 370**
	Less: outflows from the Fund	
(50 616 800)	Withdrawals by separating members	(64 024 390)
(9 290 122)	Humanitarian loans	(12 356 201)
(262 436)	General administration cash expenses	(282 528)
(138 379)	Participant loan-scheme administration cash expenses	(55 921)
(41 746)	Payments from ex-participants' credits	(7 295)
(1 120)	Additional interest paid to participants	(20 176)
(60 250 603)	**Total outflows**	**(76 746 511)**
270 460	**Amount due (to) from UNRWA as at 31 December 2005**	**(1 132 141)**

Note 12
Membership details

Changes in the membership of the Provident Fund in 2005 are as follows:

2004		2005
24 660	**Number of members as at 1 January**	**25 591**
1 521	Add: new members' accounts	1 888
(590)	Less: members' accounts closed	(783)
25 591	**Number of members as at 31 December**	**26 696**

Note 13
Members' credits

Members' credits comprise the Provident Fund balances, in United States dollars, applicable to staff at the following locations:

2004	Location	2005
305 274 122	Gaza (including two members based in Cairo)	333 457 629
91 533 395	Lebanon	99 226 016
74 098 648	Syrian Arab Republic	81 851 515
230 840 621	Jordan	238 542 001
148 503 405	West Bank	158 973 443
12 517 411	Headquarters (Amman)	13 030 332
6 726 409	Headquarters (Gaza)	6 949 062
869 494 011	**Total**	**932 029 989**

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